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中遠國際控股有限公司*

COSCO International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00517)

2013 INTERIM RESULTS

RESULTS AND OPERATION HIGHLIGHTS:

- Revenue decreased by 0.4% to HK$4,461,412,000 as compared to the same period of 2012.
- The interim results of the Group was inevitably affected by the prolonged weak shipping market with various shipping services segments experiencing decline. Profit attributable to equity holders declined by 44% to HK$130,924,000 as compared to the same period of 2012. If the reversal of impairment provision in relation to the collection of outstanding trade receivable from a defaulting customer of marine fuel and other products segment was excluded from 2012 interim results, the profit attributable to equity holders for the period would have decreased by 35% as compared to the same period of 2012.
- Basic earnings per share was 8.65 HK cents, decreased by 44% as compared to the same period of 2012.
- The Board has declared an interim dividend of 2 HK cents per share.
- The Group had net cash of HK$5,741,187,000 as at 30th June 2013 to support future development.
- Looking ahead, the Group will continue to proactively seize the opportunities to push forward the establishment of global sales and services network and the acquisition of shipping service-related projects inside and outside COSCO Group, and at the same time positively explore the development of upstream and downstream businesses along the value chain of existing businesses in accordance with its established 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 (collectively, the "Group") for the six months ended 30th June 2013. 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 14 as presented below are extracted from the Group's unaudited condensed consolidated interim financial information for the six months ended 30th June 2013 (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 2013

		Unaudited	
		Six months ended 30th June	
		2013	2012
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**4,461,412**	4,478,772
Cost of sales		**(4,132,976)**	(4,113,668)
Gross profit		**328,436**	365,104
Other income and gains	*4*	**30,849**	50,489
Selling, administrative and general expenses		**(222,323)**	(210,354)
Other expenses and losses		**(7,616)**	(201)
Operating profit	*5*	**129,346**	205,038
Finance income	*6*	**40,312**	62,297
Finance costs	*6*	**(2,717)**	(2,062)
Finance income — net	*6*	**37,595**	60,235
Share of results of jointly controlled entities		**4,770**	29,773
Share of results of associates		**9,088**	10,096
Profit before income tax		**180,799**	305,142
Income tax expenses	*7*	**(32,173)**	(46,772)
Profit for the period		**148,626**	258,370
Profit attributable to:			
Equity holders of the Company		**130,924**	232,415
Non-controlling interests		**17,702**	25,955
		148,626	258,370
Earnings per share attributable to equity holders of the Company during the period			
— basic, HK cents	*8(a)*	**8.65**	15.35
— diluted, HK cents	*8(b)*	**8.56**	15.18
Dividend	*9*	**30,275**	30,273

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June 2013

	Unaudited Six months ended 30th June	
	2013	2012
	HK$'000	*HK$'000*
Profit for the period	**148,626**	258,370
Other comprehensive income/(losses)		
Items that may be reclassified subsequently to profit or loss:		
Adjustment on the adoption of HKAS 12 (Amendment)	**—**	1,435
Currency translation differences	**19,590**	(5,252)
Share of currency translation differences of a jointly controlled entity	**5,878**	(3,391)
Fair value losses on available-for-sale financial assets	**(14,044)**	(3,645)
Cash flow hedges, net of tax	**(365)**	(2,149)
Other comprehensive income/(losses) for the period	**11,059**	(13,002)
Total comprehensive income for the period	**159,685**	245,368
Total comprehensive income attributable to:		
Equity holders of the Company	**137,255**	220,496
Non-controlling interests	**22,430**	24,872
	159,685	245,368

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2013

	Note	**Unaudited 30th June 2013** *HK$'000*	Audited 31st December 2012 *HK$'000*
ASSETS			
Non-current assets			
Intangible assets		**103,142**	97,071
Property, plant and equipment		**149,473**	156,718
Prepaid premium for land leases		**35,754**	7,064
Investment properties		**38,464**	38,447
Jointly controlled entities		**427,823**	416,886
Associates		**87,805**	79,015
Available-for-sale financial assets		**44,711**	59,373
Deferred income tax assets		**60,765**	62,044
Non-current deposits	*10*	**62,775**	61,654
		1,010,712	978,272
Current assets			
Completed properties held for sale		**189**	186
Inventories		**376,056**	487,264
Trade and other receivables	*11*	**1,976,712**	2,288,638
Available-for-sale financial assets		**37,899**	37,281
Financial assets at fair value through profit or loss		**1,232**	700
Current income tax recoverable		**6,287**	19,589
Restricted bank deposits		**76,606**	41,570
Current deposits and cash and cash equivalents		**5,669,807**	5,763,888
		8,144,788	8,639,116
Total assets		**9,155,500**	9,617,388
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**151,373**	151,363
Reserves		**7,199,046**	7,091,940
Proposed dividend		**—**	90,818
Interim dividend declared	*9*	**30,275**	—
		7,380,694	7,334,121
Non-controlling interests		**268,453**	246,023
Total equity		**7,649,147**	7,580,144
LIABILITIES			
Non-current liability			
Deferred income tax liabilities		**30,354**	26,689
Current liabilities			
Trade and other payables	*12*	**1,385,623**	1,946,155
Derivative financial liabilities		**366**	—
Current income tax liabilities		**22,009**	18,195
Short-term borrowings		**68,001**	46,205
		1,475,999	2,010,555
Total liabilities		**1,506,353**	2,037,244
Total equity and liabilities		**9,155,500**	9,617,388
Net current assets		**6,668,789**	6,628,561
Total assets less current liabilities		**7,679,501**	7,606,833

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 ("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 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 2012, 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 2012 except that the Group has adopted the following new standards and 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 2013.

		Effective for accounting periods beginning on or after
Amendments to HKAS 1	Presentation of Financial Statements	1st July 2012
HKAS 19 (2011)	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
Amendments to HKFRS 7	Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities	1st January 2013
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
Amendments to HKFRSs 10, 11 and 12	Transition Guidance	1st January 2013
HKFRSs (Amendment)	Annual Improvements 2011	1st January 2013

Amendments to HKAS 1 require entities to group items presented in "other comprehensive income" on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in other comprehensive income. The Group has modified its presentation of other comprehensive income in the financial statements accordingly.

Amendments to HKFRS 7 require new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. As the Group does not engage into the above arrangement and therefore such change has no material impact on the interim financial result.

HKFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities to present consolidated financial statements. It defines the principle of control, and establishes controls as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements. Management has assessed the implementation of HKFRS 10 and concludes there are no changes in those entities which are previously regarded as being controlled by the Group and are therefore consolidated in the financial statements.

HKFRS 11 leads to a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Also, proportional consolidation of joint ventures is no longer allowed. Management has assessed that the adoption did not result in any significant changes to the Group's accounting policies and had no material financial impact on the consolidated financial statements.

HKFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. No additional disclosures are required in the interim financial information as it is only applied to a full set of financial statements in the annual report.

HKFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs or US GAAP. The Group has modified and provided additional disclosures for financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

The adoption of the other effective new standards and amendments 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 standard, amendments to existing standard and interpretation 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 2013 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendments to HKAS 32	Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities	1st January 2014
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets	1st January 2014
HKFRS 9	Financial Instruments	1st January 2015
HK(IFRIC) Interpretation 21	Levies	1st January 2014

The Group has already commenced an assessment of the related impact of adopting the above new standard, amendments to published standards and interpretation, but it 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	
	2013	2012
	HK$'000	*HK$'000*
Sale of coatings	**684,640**	714,445
Sale of marine equipment and spare parts	**389,729**	464,294
Commission income from ship trading agency	**44,628**	63,735
Commission income from insurance brokerage	**43,755**	41,952
Sale of marine fuel and other products	**2,771,098**	2,950,818
Sale of asphalt and other products	**527,562**	243,528
	4,461,412	4,478,772

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 jointly controlled entities
Ship trading agency	provision of agency services relating to shipbuilding, ship trading and bareboat charter business, and holding of investments in a jointly controlled entity and an associate
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 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 2013									
Profit and loss items:										
Segment revenue	**684,640**	**389,729**	**44,628**	**43,879**	**2,823,142**	**3,986,018**	**527,562**	**—**	**(52,168)**	**4,461,412**
Inter-segment revenue	**—**	**—**	**—**	**(124)**	**(52,044)**	**(52,168)**	**—**	**—**	**52,168**	**—**
Revenue from external customers	**684,640**	**389,729**	**44,628**	**43,755**	**2,771,098**	**3,933,850**	**527,562**	**—**	**—**	**4,461,412**
Segment operating profit	**49,624**	**15,584**	**27,104**	**30,853**	**5,887**	**129,052**	**18,487**	**2,872**	**—**	**150,411**
Finance income	**7,049**	**631**	**2,644**	**529**	**61**	**10,914**	**816**	**—**	**—**	**11,730**
Finance costs	**(466)**	**(784)**	**(10)**	**(66)**	**(2,805)**	**(4,131)**	**(4,830)**	**—**	**—**	**(8,961)**
Share of results of jointly controlled entities	**5,157**	**(499)**	**112**	**—**	**—**	**4,770**	**—**	**—**	**—**	**4,770**
Share of results of associates	**—**	**—**	**10**	**—**	**9,498**	**9,508**	**(420)**	**—**	**—**	**9,088**
Segment profit before income tax	**61,364**	**14,932**	**29,860**	**31,316**	**12,641**	**150,113**	**14,053**	**2,872**	**—**	**167,038**
Income tax expenses	**(12,728)**	**(2,630)**	**(4,752)**	**(5,583)**	**(538)**	**(26,231)**	**(3,037)**	**—**	**—**	**(29,268)**
Segment profit after income tax	**48,636**	**12,302**	**25,108**	**25,733**	**12,103**	**123,882**	**11,016**	**2,872**	**—**	**137,770**
Balance sheet items:										
Total segment assets	**1,878,653**	**719,050**	**354,069**	**274,554**	**538,784**	**3,765,110**	**835,895**	**82,083**	**(97,808)**	**4,585,280**
Total segment assets include:										
– Jointly controlled entities	**411,857**	**13,313**	**2,653**	**—**	**—**	**427,823**	**—**	**—**	**—**	**427,823**
– Associates	**—**	**—**	**2,126**	**—**	**78,845**	**80,971**	**6,834**	**—**	**—**	**87,805**
Total segment liabilities	**766,413**	**389,848**	**86,654**	**147,301**	**349,315**	**1,739,531**	**607,707**	**—**	**(97,808)**	**2,249,430**
Other items:										
Depreciation and amortisation, net of amount capitalised	**10,004**	**569**	**347**	**45**	**—**	**10,965**	**1,271**	**—**	**—**	**12,236**
Reversal of provision for impairment of inventories, net of provision	**4,150**	**—**	**—**	**—**	**—**	**4,150**	**—**	**—**	**—**	**4,150**
Provision for impairment of trade and other receivables, net of reversal	**8,045**	**(496)**	**—**	**—**	**—**	**7,549**	**—**	**—**	**—**	**7,549**
Additions to non-current assets (other than available-for-sale financial assets and deferred tax assets)	**30,647**	**7,896**	**18**	**76**	**—**	**38,637**	**—**	**—**	**—**	**38,637**
	Year ended and as at 31st December 2012									
Total segment assets	1,793,196	649,562	349,012	187,350	839,522	3,818,642	1,191,953	95,595	(134,461)	4,971,729
Total segment assets include:										
– Jointly controlled entities	400,822	13,570	2,494	—	—	416,886	—	—	—	416,886
– Associates	—	—	2,078	—	69,303	71,381	7,634	—	—	79,015
Total segment liabilities	747,839	329,492	108,481	84,462	661,929	1,932,203	978,774	—	(134,461)	2,776,516
Additions to non-current assets (other than available-for-sale financial assets and deferred tax assets)	5,093	363	22	21	—	5,499	7,465	—	—	12,964

	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 expenses	(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
Total segment liabilities	943,463	297,193	98,384	134,479	887,441	2,360,960	796,576	—	(259,607)	2,897,929
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

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	
	2013	2012
	HK$'000	*HK$'000*
Profit before income tax for reportable segments	**164,166**	277,393
Profit before income tax for all other segments	**2,872**	2,516
Profit before income tax for all segments	**167,038**	279,909
Elimination of segment income from corporate headquarters	**(51)**	(15)
Elimination of segment finance costs to corporate headquarters	**6,254**	6,758
Corporate finance income	**28,582**	53,663
Corporate finance costs	**(10)**	(10)
Corporate expenses, net of income	**(21,014)**	(35,163)
Profit before income tax for the Group	**180,799**	305,142
Income tax expenses for all segments	**(29,268)**	(43,462)
Corporate income tax expenses	**(2,905)**	(3,310)
Profit after income tax for the Group	**148,626**	258,370

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
	2013	2012	2012
	HK$'000	*HK$'000*	*HK$'000*
Total assets for reportable segments	**4,601,005**	5,010,595	5,163,989
Total assets for all other segments	**82,083**	95,595	81,958
Elimination of inter-segment receivables	**(97,808)**	(134,461)	(259,607)
	4,585,280	4,971,729	4,986,340
Corporate assets (mainly deposits and cash and cash equivalents)	**5,342,327**	5,415,905	5,354,921
Elimination of segment receivables from corporate headquarters	**—**	—	(8)
Elimination of corporate headquarters' receivables from segments	**(772,107)**	(770,246)	(805,663)
Total assets for the Group	**9,155,500**	9,617,388	9,535,590

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

	30th June 2013 *HK$'000*	31st December 2012 *HK$'000*	30th June 2012 *HK$'000*
Total liabilities for reportable segments	**2,347,238**	2,910,977	3,157,536
Elimination of inter-segment payables	**(97,808)**	(134,461)	(259,607)
	2,249,430	2,776,516	2,897,929
Corporate liabilities	**29,030**	30,974	25,414
Elimination of corporate headquarters' payables to segments	**—**	—	(8)
Elimination of segment payables to corporate headquarters	**(772,107)**	(770,246)	(805,663)
Total liabilities for the Group	**1,506,353**	2,037,244	2,117,672

4 OTHER INCOME AND GAINS

	Six months ended 30th June	
	2013 *HK$'000*	2012 *HK$'000*
Gain on disposal of property, plant and equipment	**31**	71
Rental income	**743**	617
Reversal of provision for impairment of inventories, net of provision	**4,150**	—
Reversal of provision for impairment of trade and other receivables, net of provision	**—**	41,507
Dividend income from listed and unlisted investments	**2,340**	2,377
Fair value gains on financial assets at fair value through profit or loss	**532**	139
Net exchange gains	**18,679**	2,013
Others	**4,374**	3,765
	30,849	50,489

5 OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30th June	
	2013 *HK$'000*	2012 *HK$'000*
Depreciation and amortisation, net of amount capitalised in inventories totalling HK$580,000 (2012: HK$1,187,000)	**12,372**	8,226
Direct operating expenses for generating rental income	**67**	57
Provision for impairment of inventories, net of reversal	**—**	144
Provision for impairment of trade and other receivables, net of reversal	**7,549**	—

6 FINANCE INCOME — NET

	Six months ended 30th June	
	2013	2012
	HK$'000	*HK$'000*
Interest income from:		
— a fellow subsidiary	**3,510**	3,217
— a jointly controlled entity	**246**	1,316
— bank deposits	**36,556**	57,764
Total finance income	**40,312**	62,297
Interest expenses on bank loans wholly repayable within five years	**(1,444)**	(189)
Other finance charges	**(1,273)**	(1,873)
Total finance costs	**(2,717)**	(2,062)
Finance income — net	**37,595**	60,235

7 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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% (2012: 25%) except for a subsidiary, which is taxed at reduced rate of 15% (2012: ranging from 12.5% to 22% for certain subsidiaries) 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% (2012: 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 is as follows:

	Six months ended 30th June	
	2013	2012
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax	**10,060**	13,979
— the PRC enterprise income tax	**16,531**	13,887
— other overseas taxation	**1,591**	1,895
— over-provision for Hong Kong profits tax in prior period	**—**	(1,119)
— (over)/under-provision for the PRC taxation in prior period	**(792)**	756
— under-provision for other overseas taxation in prior period	**108**	—
Deferred tax adjustment on the adoption of HKAS 12 (Amendment)	**—**	4,916
Deferred income tax charge — net	**4,675**	12,458
Income tax expenses	**32,173**	46,772

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.

	Six months ended 30th June	
	2013	2012
Profit attributable to equity holders of the Company	**HK$130,924,000**	HK$232,415,000
Weighted average number of ordinary shares in issue	**1,513,723,319**	1,513,627,429
Basic earnings per share	**8.65 HK cents**	15.35 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.

	Six months ended 30th June	
	2013	2012
Profit attributable to equity holders of the Company	**HK$130,924,000**	HK$232,415,000
Adjusted weighted average number of ordinary shares in issue	**1,528,957,475**	1,531,402,941
Diluted earnings per share	**8.56 HK cents**	15.18 HK cents

9 DIVIDEND

	Six months ended 30th June	
	2013	2012
	HK$'000	*HK$'000*
Interim dividend, declared, of HK$0.02 (2012: HK$0.02) per ordinary share	**30,275**	30,273

At the board meeting held on 20th August 2013, the Directors declared an interim dividend of HK$0.02 per ordinary share for the six months ended 30th June 2013. 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 2013.

A dividend of HK$90,824,000 relating to the year ended 31st December 2012 (2011: HK$105,954,000) was paid in June 2013.

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
	2013	2012
	HK$'000	*HK$'000*
Trade receivables, net of provision for impairment	**1,520,516**	1,429,145
Bills receivables, prepayments, deposits, other receivables and amounts due from related parties	**456,196**	859,493
	1,976,712	2,288,638

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 2013 *HK$'000*	31st December 2012 *HK$'000*
Current–90 days	**783,228**	1,088,735
91–180 days	**461,280**	181,381
Over 180 days	**276,008**	159,029
	1,520,516	1,429,145

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 2013 *HK$'000*	31st December 2012 *HK$'000*
Trade payables	**488,542**	894,156
Bills payables, advances from customers, accrued liabilities, other payables and amounts due to related parties	**897,081**	1,051,999
	1,385,623	1,946,155

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 2013 *HK$'000*	31st December 2012 *HK$'000*
Current–90 days	**435,212**	854,052
91–180 days	**44,091**	29,111
Over 180 days	**9,239**	10,993
	488,542	894,156

13 FINANCIAL GUARANTEE CONTRACTS

As at 30th June 2013, 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 2013 *HK$'000* Face value
General banking facilities of:		
— a jointly controlled entity	2014	**38,787**
— an associate	2014	**205,570**
Counter guarantee	2014	**22,496**
		266,853

As at 30th June 2013, 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.

14 BUSINESS COMBINATION

On 18th June 2013, the Group acquired the entire issued share capital of Hanyuan Technical Service Center GmbH ("Hanyuan") at a cash consideration of EUR1,180,000 from COSCO Europe GmbH, a fellow subsidiary. Hanyuan is a company incorporated in Germany and is primarily engaged in the provision of technical support and assistance for ships, including trading of marine equipment and spare parts; maintenance, installation, testing and after sales services of marine equipment and spare parts; and technical and commercial consultancy and related services for ship maintenance. Goodwill is attributable to the expected future profitability of the acquired business. None of the goodwill recognised is expected to be deductible for tax purposes.

Consideration paid for, and goodwill arising from, the acquisition are as follows:

	HK$'000
Purchase consideration paid in cash	11,859
Fair values of identifiable net assets acquired — shown as below	(5,578)
Goodwill	6,281

Recognised amounts of identifiable assets acquired and liabilities assumed are as follows:

	Fair values
	HK$'000
Intangible assets — computer software	151
Plant and equipment	248
Trade receivables	30,566
Deposits, prepayments and other receivables	870
Cash and cash equivalents	15,480
Trade payables	(867)
Advances from customers and other payables	(13,391)
Accrued liabilities	(799)
Current income tax liabilities	(2,936)
Dividend payable	(22,889)
Deferred income tax liabilities	(855)
Total identifiable net assets	5,578

	HK$'000
Net inflow of cash and cash equivalents on acquisition:	
Purchase consideration in cash	11,859
Cash and cash equivalents in subsidiary acquired	(15,480)
Net cash generated from acquisition of subsidiary	(3,621)

Notes:

(i) Revenue and profit contribution

As the acquisition was completed on 18th June 2013, the revenue and results of the acquiree since the date of acquisition are not significant. If the acquisition had occurred on 1st January 2013, the Group's revenue and profit attributable to equity holders of the Company would have been HK$4,491,188,000 and HK$132,254,000 respectively.

(ii) Acquired receivables

The fair value of trade and other receivables is HK$31,436,000. The gross contractual amount for trade receivables is HK$30,566,000 all of which is expected to be collectible.

FINANCIAL REVIEW

The prolonged weak shipping market continued to cast negative effect on shipping services providers. Factors such as postponement of new build vessel deliveries, retrenchment policies of shipowners and shipping enterprises and intensified competition have made the Group's core shipping service business environment more difficult. The Group's overall profit for the first half of 2013 has therefore inevitably declined as compared to the same period of 2012. Profit attributable to equity holders of the Company for the period was HK$130,924,000 (2012: HK$232,415,000), representing a decrease of 44% as compared to the same period of 2012. Basic earnings per share was 8.65 HK cents (2012: 15.35 HK cents), decreased by 44% as compared to the same period of 2012.

If the reversal of impairment provision in relation to the collection of outstanding trade receivable from a defaulting customer of marine fuel and other products segment of US$3,823,000 (equivalent to approximately HK$29,662,000) was excluded from 2012 interim results, the profit attributable to equity holders of the Company for the period decreased by 35% as compared with the same period of 2012.

Revenue

For the six months ended 30th June 2013, the Group's revenue decreased by 0.4% to HK$4,461,412,000 (2012: HK$4,478,772,000) as compared with the same period of 2012. Except for insurance brokerage, all core shipping services segments recorded revenue declines of varying degrees. Segment revenues of ship trading agency, marine equipment and spare parts, coatings and marine fuel trading and other products declined by 30%, 16%, 4% and 6% respectively over the same period of 2012. Accordingly, revenue from the core shipping services businesses fell by 7% to HK$3,933,850,000 (2012: HK$4,235,244,000) and accounted for 88% (2012: 95%) of the Group's revenue. Revenue of general trading segment increased by 117% to HK$527,562,000 (2012: HK$243,528,000) and accounted for 12% (2012: 5%) 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 10% to HK$328,436,000 (2012: HK$365,104,000) while overall average gross profit margin dropped to 7% (2012: 8%). The decrease in overall average gross margin was attributable to the decrease in margins of container coatings and marine equipment and spare parts businesses as well as decrease in ship trading agency commission income.

Other Income and Gains

Other income and gains of HK$30,849,000 (2012: HK$50,489,000) for the period primarily included net exchange gains of HK$18,679,000 (2012: HK$2,013,000) and reversal of provision for impairment of inventories (net of provision) of HK$4,150,000. Other income and gains for the same period of 2012 primarily included reversal of provision for impairment of trade and other receivables (net of provision) of HK$41,507,000.

Operating Expenses

During the period, operating expenses increased by 6% to HK$222,323,000 (2012: HK$210,354,000). Increase in operating expenses was mainly attributable to increase in selling expenses which mainly included selling expenses payable to customers, sales staff remuneration, technology usage fees and transportation costs. Increase in selling expenses was due to the requirement to support huge volume of asphalt supply during the period and additional costs to support the coating market share.

Other Expenses and Losses

The Group recorded other expenses and losses of HK$7,616,000 (2012: HK$201,000). Other expenses and losses primarily included provision for impairment of trade and other receivables (net of reversal) of HK$7,549,000. Other expenses and losses for the same period of 2012 mainly included provision for impairment of inventories (net of reversal) of HK$144,000.

Finance Income

Finance income, which represented primarily interest income on the Group's bank deposits, decreased by 35% to HK$40,312,000 (2012: HK$62,297,000) as a result of drop in interest rates since the last quarter of 2012.

Finance Costs

Finance costs, which mainly represented interest expenses on bank loans and other finance charges, increased by 32% to HK$2,717,000 (2012: HK$2,062,000). The increase was attributable to additional finance costs incurred to support the rise in asphalt trading business.

Share of Results of Jointly Controlled Entities

The Group's share of results of jointly controlled entities decreased by 84% to HK$4,770,000 (2012: HK$29,773,000). This item primarily represented the share of profit of Jotun COSCO of HK$5,157,000 (2012: HK$29,868,000) which was included in the coatings segment. The sharp decline in profit contribution from Jotun COSCO was attributed to the reduced sales volume of marine coatings since the beginning of the year following the prolonged downturn of shipbuilding industry.

Share of Results of Associates

The Group's share of results of associates decreased by 10% to HK$9,088,000 (2012: HK$10,096,000). This item primarily comprised the share of profit of Double Rich of HK$9,498,000 (2012: HK$9,571,000) which was included in the marine fuel and other products segment.

Profit Attributable to Equity Holders

Profit attributable to equity holders of the Company during the period decreased by 44% to HK$130,924,000 (2012: HK$232,415,000).

FINANCIAL RESOURCES AND LIQUIDITY

As at 30th June 2013, equity holders' funds of the Company slightly increased by 0.6% to HK$7,380,694,000 (31st December 2012: HK$7,334,121,000). As at 30th June 2013, total cash and bank balances (including non-current deposits of HK$62,775,000 and restricted bank deposits of HK$76,606,000) of the Group was HK$5,809,188,000 (31st December 2012: HK$5,867,112,000). The Group had a net drawdown of loans in the amount of HK$21,434,000 (2012: net repayment of HK$27,003,000) during the period. As at 30th June 2013, total banking facilities available to the Group amounted to HK$2,272,340,000 (31st December 2012: HK$2,244,519,000), of which HK$499,778,000 (31st December 2012: HK$630,891,000) had been utilised. The gearing ratio, which represented total borrowings over total assets, slightly rose to 0.7% (31st December 2012: 0.5%) since the end of 2012. Both the bank loans and the gearing ratio remained at low level since the end of 2012. As at 30th June 2013, the Group had net cash of HK$5,741,187,000 (31st December 2012: HK$5,820,907,000). Due to the provision of funds from the corporate headquarters to the operating units, the use of more costly bank borrowings to support working capital requirement was reduced.

The Group managed its liquid funds to ensure a right balance between liquidity, returns and security and sought various channels of cash investments to achieve satisfactory returns. However, the Group's interest income reduced by 35% as compared to the same period of 2012 as a result of the drop in interest rates since the last quarter of 2012. Deposits were placed with major financial institutions in the PRC and Hong Kong.

As at 30th June 2013, 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 marine fuel 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 2013, excluding jointly controlled entities and associates, the Group had 797 (31st December 2012: 782) employees, of which 114 (31st December 2012: 112) are Hong Kong employees. During the period, total employee benefit expenses, including directors' emoluments and provident funds, was HK$115,589,000 (2012: HK$109,364,000). 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 of the Company (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 of the Company (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 can be exercised 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 (2012: 2 HK cents) per share for the six months ended 30th June 2013 which will be payable on or before 26th September 2013 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company (the "Register of Members") on 12th September 2013.

For the purpose of ascertaining shareholders' entitlement to the interim dividend, the Register of Members will be closed from 10th September 2013 to 12th September 2013, 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 2013, 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 9th September 2013.

BUSINESS REVIEW

During the first half of 2013, the recovery of world economy remained bumpy, and growth of all major economies was still uneven. The United States maintained relatively stronger growing momentum, while the euro zone's debt crisis has not yet completely ended. The emerging economies, including China, recorded slowing growth as a result of weaker foreign trade and domestic demand. Affected by the complicated world economic environment, the global shipping market remained depressed and the oversupply of shipping capacity was serious as before, leading to the continuous deterioration of the operating environment of shipping enterprises and shipyards. Shipping enterprises continued to postpone the delivery of new build vessels and tighten cost control over ship repair and maintenance. In addition, volume of new build vessels delivery decreased year by year and the competition in coating market was intensifying. The above factors brought greater negative impact on COSCO International, whose major customers included shipowners, shipyards and container manufacturers.

Facing the complex and severe market situation, COSCO International spared no effort in developing its existing business operation, and sought for further extension and expansion of business segments. During the period, capitalising on the opportunity arising from the centralised procurement by COSCO Group in the supply of marine equipment and spare parts and marine insurance brokerage, the Group improved its business network and maintained its existing customer base by focusing on its marketing services and enhancing service consciousness, and positively explored the markets outside COSCO Group. In addition, the Group proactively studied and moved forward the relevant projects in order to enhance the shipping services business in accordance with its established development strategy. During the period, the Group made a progress in integrating the overseas spare parts business, and further improved the global spare parts service network by acquiring Hanyuan in Germany in June 2013, enhancing the Group's capacity in the procurement and supply of marine equipment and spare parts in European region.

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.

During the period, revenue from the Group's shipping services was HK$3,933,850,000 (2012: HK$4,235,244,000), representing a decrease of 7% as compared to the same period of 2012. As the shipping market remained subdued and the shipping enterprises controlled costs strictly, with the exception of the marine insurance brokerage services, the revenues of all core shipping services sectors decreased in various degrees. Segment revenues of ship trading agency, marine equipment and spare parts, coatings and marine fuel and other products recorded a decrease of 30%, 16%, 4% and 6% as compared to the same period of 2012 respectively. Profit before income tax from shipping services was HK$150,113,000 (2012: HK$273,197,000), representing a decrease of 45% as compared to the same period of 2012. Apart from the reversal of impairment provision of trade receivable of marine fuel and other products of US$3,823,000 (equivalent to approximately HK$29,662,000) in the first half of 2012, which was an one-off event, the decrease in profit before income tax was partly attributable to the decrease in the revenue and gross profit of the core shipping services sectors, which resulted in the depression of the operating profit, as well as the decline of the share of profit from Jotun COSCO.

1.1 Ship Trading Agency Services

COSCO International Ship Trading Company Limited, a wholly-owned subsidiary of the Company ("COSCO Ship Trading"), is principally engaged in the provision of agency services relating to ship building, 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 the ship trading of COSCO Group. COSCO Ship Trading also provides similar services for shipowners or shipping enterprises 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 instalment payments specified in the relevant contracts. 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 the buyers.

During the period, the shipping market remained stagnant and as there were delays in delivery of new build vessels ordered through COSCO Ship Trading, new build vessels aggregating 745,600 dead weight tonnages (2012: 1,296,000 dead weight tonnages) ordered through COSCO Ship Trading were delivered during the period. The decrease in the number of delivery of new build vessels caused the commissions from the new build vessels, which could be recognised as revenue, to decrease as well. For the second-hand vessels, the second-hand vessels market was still stagnant as the shipping market remained subdued, there were obvious disparities in price expectation between the buyers and the vendors. Completed transactions for the sale and purchase of 9 (2012: 12) second-hand vessels through COSCO Ship Trading were recorded during the period, aggregating 379,000 dead weight tonnages (2012: 427,000 dead weight tonnages).

In addition, no agency agreement for ordering new build vessels (2012: nil) were contracted by COSCO Ship Trading during the period. As at 30th June 2013, new build vessels ordered in hand through COSCO Ship Trading pending delivery amounting to 4,394,600 dead weight tonnages were scheduled for delivery in the coming two years.

During the period, revenue from ship trading agency segment decreased by 30% to HK$44,628,000 (2012: HK$63,735,000) as compared to the same period of 2012. Segment profit before income tax was HK$29,860,000 (2012: HK$48,331,000), representing a decrease of 38% as compared to the same period of 2012.

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, COSCO Insurance Brokers, leveraging their success in renewal of the hull and machinery insurance, had achieved the outcome of consolidation and development of the ship repairer's liability and ship builder's risks insurance businesses within COSCO Group. Meanwhile, to further develop their businesses outside COSCO Group, COSCO Insurance Brokers shifted their focus in business expansion to new shipping companies under other sizeable state-owned enterprises. As for new businesses, they stepped up efforts to develop offshore units builders' risk insurance and made a breakthrough in such projects. Through the consolidation of the existing customer base and successful exploration of new customers and new businesses, a stable commission income from marine insurance brokerage services was achieved.

During the period, revenue from insurance brokerage segment was HK$43,755,000 (2012: HK$41,952,000), increased by 4% as compared to the same period of 2012. Segment profit before income tax was HK$31,316,000 (2012: HK$30,073,000), representing an increase of 4% as compared to the same period of 2012.

1.3 Supply of Marine Equipment and Spare Parts

Yuantong Marine Service Co. Limited, a wholly-owned subsidiary of the Company ("Yuantong"), and its subsidiaries (including 新中鈴株式會社 (Shin Chung Lin Corporation*), Xing Yuan (Singapore) Pte. Ltd., Hanyuan, 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 known as "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 systems for ships, offshore facilities, coastal station and land users, and marine materials supply and voyage repair. Its existing business network spreads across Hong Kong, Shanghai, Beijing, Japan, Singapore and Germany, etc.

During the period, as a result of the depression in shipping industry, orders from shipowners shrank to varying extents and the demand for equipment and spare parts also declined. In addition, shipping enterprises exercised stricter cost control which depressed the overall gross profit margin of COSCO Yuantong Operation Headquarters. Besides, COSCO Yuantong Operation Headquarters fully coordinated with the implementation of the centralised procurement of spare parts by COSCO Group and the profit margin from the sale of marine equipment and spare parts decreased in the short run than before. However, as the business volume grows within COSCO Group, it will definitely help to develop the markets outside COSCO Group and secure more favourable terms from manufacturers. As for extending spare parts service network, the acquisition of Hanyuan in Germany was completed in June 2013 to enhance the Group's capacity in the procurement and supply of marine equipment and spare parts in European region. As for exploring new customers, COSCO Yuantong Operation Headquarters proactively sought new business areas outside COSCO Group and tapped new profit drivers by establishing market development working teams in Hong Kong and Shanghai offices respectively to promote the businesses of marine equipment, spare parts and new vessel equipment to local customers. In addition, COSCO Yuantong Operation Headquarters visited major customers regularly to further enhance the strategic cooperation with major customers.

During the period, revenue from marine equipment and spare parts segment was HK$389,729,000 (2012: HK$464,294,000), down by 16% as compared to the same period of 2012. Segment profit before income tax was HK$14,932,000 (2012: HK$40,124,000), representing a decrease of 63% as compared to the same period of 2012. The decrease was partly attributable to the decrease in gross profit as a result of the decline in revenue and gross profit margin of the marine equipment and spare parts and the reversal of provision for impairment of trade receivables of HK$4,557,000 in 2012.

1.4 Production and Sale of Coatings

The coating business of the Company primarily includes the production and sale of container coatings, industrial heavy-duty anti-corrosion coatings and marine coatings. 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 COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd., all being non-wholly owned subsidiaries of the Company (collectively "COSCO Kansai Companies"), are principally engaged in the production and sale of container coatings and industrial heavy-duty anti-corrosion coatings. Jotun COSCO, a 50/50 joint venture formed by the Company and the international coating manufacturer Jotun A/S, Norway, is principally engaged in the production and sale of marine coatings.

Owing to the continuous good momentum of container market in the first half of 2013, COSCO Kansai Companies grasped the opportunities, carried out targeted strategic marketing for different customers in the market, strived to provide differential services and successfully explored new customers while further enhanced the core customers so as to maintain their leading position in the China's container coating market. For the marine coatings, as the shipping market remained sluggish, the production schedule of shipyards has declined abruptly since the beginning of 2013 and the vessels delivery decreased significantly. Hence, the business of Jotun COSCO, a jointly controlled entity of the Company, recorded a significant decrease as compared to the corresponding period of 2012. However, Jotun COSCO paid attention and put a greater effort in the marketing and customer maintenance during the period, and therefore maintained its leading position in China's marine coating market. 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. During the period, the construction of a new coating plant in Qingdao by Jotun COSCO's wholly-owned subsidiary, Jotun COSCO Marine Coatings (Qingdao) Co., Ltd. ("Jotun COSCO (Qingdao)") had been completed and was expected to officially put into operation by the end of the year after inspection upon receipt, while the construction of the plant of 中遠關西塗料(上海)有限公司 (COSCO Kansai Paint (Shanghai) Co., Ltd.*), a non-wholly owned subsidiary of the Company ("COSCO Kansai Paint (Shanghai)") in Shanghai was underway.

During the period, revenue from coatings segment was HK$684,640,000 (2012: HK$714,445,000), down by 4% as compared to the same period of 2012. Segment profit before income tax was HK$61,364,000 (2012: HK$114,161,000), representing a decrease of 46% as compared to the same period of 2012. The decrease was partly attributable to the decline in the revenue of the container coatings and industrial heavy-duty anti-corrosion coatings, which resulted in the depression of the operating profit, and the substantial decline of the share of profit from Jotun COSCO.

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 their leading position in China's container coating market by gaining the trust and support of customers through effective communication and exchange of ideas with container manufacturing enterprises and container owners, and increasing promotion of enterprise brands and accreditation of container owners, which allowed COSCO Kansai Companies to obtain the orders, and also expanded the business scope of container coating segment. During the period, the sales volume of container coatings of COSCO Kansai Companies amounted to 27,234 tonnes, representing an increase of 6% as compared with 25,806 tonnes in the same period of 2012.

COSCO Kansai Companies continued to vigorously develop the business of industrial heavy-duty anti-corrosion coatings and proactively formulated their market and sales strategies for various business segments after conducting various project researches on different industries. During the period, COSCO Kansai Companies succeeded in bidding for Hong Kong – Zhuhai – Macao Bridge project, thus promoting their business brand image and enhancing their core competitiveness significantly and laying a solid foundation for subsequent major bridge projects. Besides, COSCO Kansai Companies recruited additional sales staff and engaged dealer agents, so as to increase its market influence and share. COSCO Kansai Companies endeavored to obtain other business from its customers and expand its business scope to achieve better sales volume, while maintaining its existing customer base and enhancing its market share in new projects. COSCO Kansai Companies also strengthened their after-sale services and technical supports and enhanced their service awareness, so as to raise customer satisfaction. However, as influenced by the decline in the business volume of bridges and construction machinery segment, the overall sales volume of industrial heavy-duty anti-corrosion coatings decreased for the period. During the period, the sales volume of industrial heavy-duty anti-corrosion coatings together with workshop primer amounted to 5,370 tonnes (2012: 5,933 tonnes), representing a decrease of 9% as compared to the same period of 2012.

During the period, COSCO Kansai (Tianjin) was successfully included in the patent pilot list of Tianjin Municipality after its waltzed through the assessment and became a patent pilot enterprise in Tianjin. The implementation of this project effectively drove COSCO Kansai Companies to improve its management standard over patents and to intensify innovation on core technologies and products, endowing its products with the advantages of high-end, high-tech and high quality.

1.4.2 Marine Coatings

Jotun COSCO is principally engaged in the production and sale of marine coatings in the region of China including Mainland China, Hong Kong and Macau Special Administrative Regions.

During the period, facing the impact from the decline in the overall volume of new build vessels construction in China and the delay in delivery of new build vessels by shipowners, Jotun COSCO on one hand seized market opportunities and spared no effort in sales and marketing and customer care so as to raise the number of orders. It, on the other hand, stepped up 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 27,794,000 litres (equivalent to approximately 37,522 tonnes) (2012: 45,606,000 litres (equivalent to approximately 61,568 tonnes)), representing a decrease of 39% as compared to the same period of 2012. Sales volume of new build vessel coatings amounted to 21,415,000 litres, down by 44% as compared to the same period of 2012. Sales volume of coatings for repair and maintenance was 6,374,000 litres, down by 11% as compared to the same period of 2012. During the period, the Group's share of profit from Jotun COSCO was HK$5,157,000 (2012: HK$29,868,000), down by 83% as compared to the same period of 2012. The decrease was mainly attributable to the decline in the sales volume and revenue of marine coatings, which caused the operating profit to decline as the operating costs remained relatively constant. In addition, as the new plant was still under construction by Jotun COSCO (Qingdao), a one-off project management fee continued to incur, which further reduced the profit before tax.

In addition, as at 30th June 2013, Jotun COSCO had coating contracts in hand for new build vessels amounting to 24,950,000 dead weight tonnages pending delivery. The coatings were scheduled to be delivered in the coming two 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., a wholly-owned subsidiary of the Company in Singapore ("Sinfeng"), is primarily engaged in the provision of marine fuel supply, trading and brokerage services of marine fuel and related products for customers which are mainly non-COSCO Group. Sinfeng has established extensive and good business cooperation relationship with famous international oil companies, shipping enterprises and shipowners. Currently, its business network primarily covers Singapore, Malaysia and other major oil ports all over the world.

During the period, Sinfeng objectively analysed the market situation and adopted sound business strategies in response to the depressed shipping market. As to maintaining existing customer base, Sinfeng established a stable and reliable long-term business cooperation with quality customers through the implementation of its key customer marketing strategy. As to exploring new customers, Sinfeng strictly controlled its operation risks by preferentially selecting shipping enterprises and trading companies with leading positions in the market. The total sales volume of marine fuel products for the period was 562,323 tonnes, up by 3% as compared with 545,900 tonnes in the same period of 2012. During the period, revenue from the marine fuel and other products segment was HK$2,771,098,000, down by 6% as compared with HK$2,950,818,000 in the same period of 2012. The decrease was mainly attributable to the reduction in the sales price of the marine fuel as compared to the corresponding period of 2012.

In addition, Double Rich, which the Group owns 18% equity interest, is principally engaged in the trading of fuel and oil products and the 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$9,498,000 (2012: HK$9,571,000), down slightly by 0.8% as compared to the same period of 2012.

Profit before income tax of marine fuel and other products segment was HK$12,641,000 (2012: HK$40,508,000), representing a decrease of 69% as compared to the same period of 2012. The decrease was mainly attributable to the reversal of impairment provision of trade receivables of US$3,823,000 (equivalent to approximately HK$29,662,000) during the same period of 2012, while similar item was not recorded during the period.

2. General Trading

中遠國際貿易有限公司 (COSCO International Trading Company Limited*), a wholly-owned subsidiary of the Company ("CITC"), is principally engaged in the trading of asphalt, general marine equipment and marine supplies, as well as other comprehensive trading. CITC is familiar with the China market and the market operations and has abundant experience in international trade. It has stable suppliers and 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 China market.

During the period, CITC, leveraging its marketing services, managed to open up emerging markets by strengthening the construction of direct sales centers and distribution channels and improving marketing capacity, while at the same time maintaining its market share. In addition, leveraging its existing business scale and good market reputation, CITC carried out the transformation of its asphalt business development with innovative business models and comprehensive warehousing ancillary facilities. During the period, the sales volume of asphalt of CITC amounted to 60,773 tonnes, representing a significant increase of 142% as compared with 25,137 tonnes in the same period of 2012.

Revenue from general trading segment was HK$527,562,000 (2012: HK$243,528,000), up significantly by 117% as compared to the same period of 2012. Segment profit before income tax increased by 235% as compared to the same period of 2012 to HK$14,053,000 (2012: HK$4,196,000). The increase was mainly attributable to a significant increase in the sales volume of asphalt during the period as compared to the corresponding period of 2012, which resulted in the significant increase of the revenue and the gross profit.

PROSPECTS

Looking ahead at the second half of the year, the growth of the global economy is expected to remain slow, while the complex changes in macroeconomic environment will continue to affect the development of shipping industry and related businesses. It is anticipated that the overall conditions will remain grim, with persisting imbalance between supply and demand and limited upside on freight rate. Facing the sluggish and uncertain market, the operations of companies in the shipping, shipbuilding and relevant industries are subject to varying degrees of impact and constraint, which will put enormous pressure on the profit growth of COSCO International's existing businesses in the future.

COSCO International, in face of challenges, will seize the opportunities. Its corporate vision is to establish itself as a global leading one-stop shipping service provider and to further promote the industrial transformation and upgrading of shipping service business segments, as well as to provide customers with one-stop services through its global network, by offering high quality services and products with core competitiveness. The Group will enhance the development of existing businesses and new businesses steadily in accordance with its established strategic plans while strictly control various operational risks.

As the shipping market is featured by the slumping freights and soaring costs, it is expected that tightening cost control and postponement of new build vessel delivery will continue to be adopted by shipping enterprises as measures to tackle the difficulties. These measures will, to a certain degree, put pressure on the operation of the three traditional shipping services businesses of COSCO International, i.e. ship trading agency services, marine insurance brokerage services and supply of marine equipment and spare parts. For the ship trading agency services, COSCO Ship Trading will on one hand coordinate with various parties such as shipyards and shipowners to ensure smooth delivery of new build vessels ordered through COSCO Ship Trading, and strive to expand business outside COSCO Group while strengthening its traditional new build vessel trading agency business. It will on the other hand, seize market opportunities and, in response to the changes and demands of the market situation, explore and develop other businesses, to lay a foundation for the sustainable development of the ship trading agency business in the future. For the marine insurance brokerage services, leveraging the centralised procurement of COSCO Group as to hull and machinery insurance, COSCO Insurance Brokers will increase its business scale and extend its business scope from direct insurance business to reinsurance business to accommodate the development of third party business. In addition, to mitigate the immediate impacts of shipping market and shipping cycle, COSCO Insurance Brokers will, by making use of COSCO Group's resources, gradually expand from marine insurance business to non-marine insurance business and cultivate more new profit growth drivers for the marine insurance brokerage services through the diversification of insurance brokerage services. For the supply of marine equipment and spare parts, COSCO Yuantong Operation Headquarters, on the basis of a continuously improved global spare parts service network, will further upgrade its internal management system and extend the regional advantages of each network company, thus to generate synergistic effect. COSCO Yuantong Operation Headquarters will fully make use of its existing network edge, moderately expanding product categories offered. As the foreign demand gradually decreases, COSCO Yuantong Operation Headquarters will further expand the market share of its business in the Mainland China, and consider approaches and methods of selling domestic-made equipment and spare parts to overseas markets.

For the container coatings, as the crisis of the oversupply of shipping capacity still exists and the global economy is not yet to achieve a full-scale recovery, the market demand for new build containers will inevitably be influenced directly. COSCO Kansai Companies will continue to strive to reduce their procurement costs, strengthen their technological research and development and internal management, optimise business process, and maintain its leading position in market share of the container coating market while on the basis of seeking for profit maximisation. For the industrial heavy-duty anti-corrosion coatings, COSCO Kansai Companies, with their focus being locked on major industry sectors such as electricity, petrochemical, ports, bridges, construction machinery, infrastructure facilities and integrated industry, expanded its sales network by establishing dealer management department and adopting a marketing model by combining direct marketing, distribution and agency which might bring the overall business growth of industrial heavy-duty anti-corrosion coatings. In addition, COSCO Kansai Paint (Shanghai) will also proactively launch the construction of its new plant in Shanghai, which is expected to be completed by the end of 2014 at its earliest, and it will have a total annual production capacity of 75,000 tonnes on a double shift basis upon commencement of production in order to strengthen the leading position of COSCO Kansai Companies in the container coating market in China. For the marine coatings, as a result of the depressed shipping market and the new build vessel market has not yet picked up, the shipyards still face problems such as order withdrawal and postponement of new build vessel delivery, thus it is expected that the market demand for new build vessel coatings will decrease. On the other hand, the use of high performance anti-fouling and energy saving coatings will become a trend against a backdrop of green shipping, energy saving and emission reduction. Confronting with such challenging situation, Jotun COSCO will react proactively to strive to introduce "New Products, Differential Services" and selectively develop its markets. It will strive to win quality orders for new build vessel coatings and endeavour to generate a greater operating benefit. Meanwhile, it will introduce measures and enhance its marketing effort in order to increase its market share in coatings for repair and maintenance. The new plant built by Jotun COSCO (Qingdao) in Qingdao may commence operation officially by the end of the year. It will have a total annual production capacity of 50,000,000 litres to ensure that the leading position of Jotun COSCO in the marine coating market in China will be highly secured.

For the trading and supply of marine fuel and related products, Sinfeng will continue to control the risk strictly and develop its business prudently and cautiously according to the operation pressure faced by shipping enterprises so as to achieve benefit under the premise of risk control.

For the general trading, it is expected that the demand for asphalt in various regions will decline and the overall supply of asphalt will exceed its demand. CITC will continue to be positive and aggressive. It will strive to maintain its market share through measures such as enhancing the market exploration, resources exploration, infrastructure construction and establishing direct sales network and distribution network, and full marketing mechanism. CITC will also pay close attention to the projects tendered in different regions and strive to win new projects.

For the new business development, COSCO International will continue to proactively seize the opportunities to push forward the establishment of global sales and services network and the acquisition of shipping service-related projects inside and outside COSCO Group, and at the same time positively explore the development of upstream and downstream businesses along the value chain of existing businesses in accordance with its established 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 shipping service provider 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 2013.

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 Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months ended 30th June 2013.

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 2013.

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 the Chairman, the Vice Chairman, the Managing Director and a Director 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 2013, 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
Xu Zhengjun
Managing Director

Hong Kong, 20th August 2013

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*