中遠國際控股有限公司*

COSCO International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00517)

2014 INTERIM RESULTS

RESULTS AND OPERATION HIGHLIGHTS:

- Profit attributable to equity holders increased by 45% to HK$190,300,000 as compared to the same period of 2013. The increase was mainly due to (1) the remarkable increase of ship trading agency commission income, as a result of the speed up of adjustment on fleet structure by PRC shipowners which drove the demand for relevant shipping services; and (2) interest income generated from the Group's cash and the profit contribution from the Group's joint venture, Jotun COSCO.
- Revenue increased by 6% to HK$4,740,304,000 as compared to the same period of 2013.
- Gross profit increased by 29% to HK$423,805,000 as compared to the same period of 2013.
- Basic earnings per share was 12.57 HK cents, increased by 45% as compared to the same period of 2013.
- The Board has declared an interim dividend of 3 HK cents per share.
- The Group had net cash of HK$6,013,590,000 as at 30th June 2014 for the expansion of existing businesses and strategic development.
- Looking ahead, the Group will continue to proactively seize the opportunities to explore new businesses in shipping services-related areas as well as actively 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 2014. 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 15 as presented below are extracted from the Group's unaudited condensed consolidated interim financial information for the six months ended 30th June 2014 (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 2014

		Unaudited	
		Six months ended 30th June	
		2014	2013
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**4,740,304**	4,461,412
Cost of sales		**(4,316,499)**	(4,132,976)
Gross profit		**423,805**	328,436
Other income and gains	*4*	**17,340**	30,849
Selling, administrative and general expenses		**(264,216)**	(222,323)
Other expenses and losses	*5*	**(25,977)**	(7,616)
Operating profit	*6*	**150,952**	129,346
Finance income	*7*	**67,813**	40,312
Finance costs	*7*	**(1,398)**	(2,717)
Finance income — net	*7*	**66,415**	37,595
Share of profits of joint ventures		**23,928**	4,770
Share of profits of associates		**7,839**	9,088
Profit before income tax		**249,134**	180,799
Income tax expenses	*8*	**(40,215)**	(32,173)
Profit for the period		**208,919**	148,626
Profit attributable to:			
Equity holders of the Company		**190,300**	130,924
Non-controlling interests		**18,619**	17,702
		208,919	148,626
Earnings per share attributable to equity holders of the Company during the period			
— basic, HK cents	*9(a)*	**12.57**	8.65
— diluted, HK cents	*9(b)*	**12.45**	8.56

		Unaudited	
		Six months ended 30th June	
		2014	2013
		HK$'000	*HK$'000*
Dividend	*10*	**45,416**	30,275

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June 2014

	Unaudited Six months ended 30th June	
	2014	2013
	HK$'000	*HK$'000*
Profit for the period	**208,919**	148,626
Other comprehensive income/(losses)		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	**(12,469)**	19,590
Share of currency translation differences of a joint venture arising during the period	**4,282**	5,878
Reclassification adjustment for a gain included in profit or loss	**(14,345)**	—
	(10,063)	5,878
Fair value losses on available-for-sale financial assets, net	**(194)**	(14,044)
Cash flow hedges, net of tax	—	(365)
Other comprehensive (losses)/income for the period	**(22,726)**	11,059
Total comprehensive income for the period	**186,193**	159,685
Total comprehensive income attributable to:		
Equity holders of the Company	**170,661**	137,255
Non-controlling interests	**15,532**	22,430
	186,193	159,685

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2014

	Note	Unaudited 30th June 2014 HK$'000	Audited 31st December 2013 HK$'000
ASSETS			
Non-current assets			
Intangible assets		**102,275**	103,127
Property, plant and equipment		**212,841**	145,892
Prepaid premium for land leases		**35,428**	36,315
Investment properties		**41,915**	41,924
Investments in joint ventures		**446,157**	432,465
Investments in associates		**99,691**	91,969
Available-for-sale financial assets		**52,559**	49,048
Deferred income tax assets		**68,682**	65,520
Non-current deposits	*11*	**25,194**	38,153
		1,084,742	1,004,413
Current assets			
Completed properties held for sale		**190**	192
Inventories		**452,228**	446,800
Trade and other receivables	*12*	**2,125,470**	1,672,431
Available-for-sale financial assets		**31,249**	34,954
Financial assets at fair value through profit or loss		**909**	1,109
Current income tax recoverable		**3,679**	401
Restricted bank deposits		**42,572**	62,782
Current deposits and cash and cash equivalents		**5,969,906**	6,226,881
		8,626,203	8,445,550
Total assets		**9,710,945**	9,449,963
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**151,386**	151,378
Reserves		**7,396,152**	7,270,808
Proposed dividend		**—**	52,982
Interim dividend declared	*10*	**45,416**	—
		7,592,954	7,475,168
Non-controlling interests		**351,151**	313,925
Total equity		**7,944,105**	7,789,093
LIABILITIES			
Non-current liability			
Deferred income tax liabilities		**35,449**	32,497
Current liabilities			
Trade and other payables	*13*	**1,666,836**	1,546,465
Current income tax liabilities		**40,473**	22,122
Short-term borrowings		**24,082**	59,786
		1,731,391	1,628,373
Total liabilities		**1,766,840**	1,660,870
Total equity and liabilities		**9,710,945**	9,449,963
Net current assets		**6,894,812**	6,817,177
Total assets less current liabilities		**7,979,554**	7,821,590

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 2013, 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 2013 except that the Group has adopted the following amendments to published standards and interpretation issued by the HKICPA, which are relevant to its operations and are effective for accounting periods beginning on or after 1st January 2014.

		Effective for accounting periods beginning on or after
Amendment to HKAS 32	Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities	1st January 2014
Amendment to HKAS 36	Recoverable Amount Disclosures for Non-financial Assets	1st January 2014
Amendment to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting	1st January 2014
HKFRSs 10, 12 and HKAS 27 (2011) amendments	Investment Entities	1st January 2014
HK(IFRIC) Int 21	Levies	1st January 2014

The adoption of the above amendments and interpretation 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 2014 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendment to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1st January 2016
Amendment to HKAS 19 (2011)	Employee Benefits	1st July 2014
HKFRS 9	Financial Instruments — Hedge Accounting and Amendments	not yet determined*
HKFRS 15	Revenue from Contracts with Customers	1st January 2017
HKFRSs (Amendment)	Annual Improvements to HKFRSs 2010–2012 Cycle	1st July 2014
HKFRSs (Amendment)	Annual Improvements to HKFRSs 2011–2013 Cycle	1st July 2014

* No mandatory effective date is determined but is available for early adoption.

The Group has already commenced an assessment of the related impact of adopting the above new standards and amendments to published standards, 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	
	2014	2013
	HK$'000	*HK$'000*
Sale of coatings	**661,222**	684,640
Sale of marine equipment and spare parts	**524,989**	389,729
Commission income from ship trading agency	**90,796**	44,628
Commission income from insurance brokerage	**45,070**	43,755
Sale of marine fuel and other products	**3,068,932**	2,771,098
Sale of asphalt and other products	**349,295**	527,562
	4,740,304	4,461,412

The chief operating decision-maker has been identified as the executive directors. The executive directors review 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 joint venture, 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 joint ventures
Ship trading agency	provision of agency services relating to shipbuilding, ship trading and bareboat charter business, and holding of investments in a joint venture 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 2014					
Profit and loss items:										
Segment revenue	**661,222**	**524,989**	**90,796**	**45,190**	**3,259,972**	**4,582,169**	**349,295**	**—**	**(191,160)**	**4,740,304**
Inter-segment revenue	**—**	**—**	**—**	**(120)**	**(191,040)**	**(191,160)**	**—**	**—**	**191,160**	**—**
Revenue from external customers	**661,222**	**524,989**	**90,796**	**45,070**	**3,068,932**	**4,391,009**	**349,295**	**—**	**—**	**4,740,304**
Segment operating profit/(loss)	**52,903**	**26,059**	**65,946**	**31,696**	**6,035**	**182,639**	**(2,867)**	**2,144**	**—**	**181,916**
Finance income	**5,303**	**921**	**3,338**	**686**	**134**	**10,382**	**1,398**	**—**	**—**	**11,780**
Finance costs	**(170)**	**(891)**	**(13)**	**(86)**	**(2,796)**	**(3,956)**	**(3,679)**	**—**	**—**	**(7,635)**
Share of profits of joint ventures	**24,421***	**(642)**	**149**	**—**	**—**	**23,928**	**—**	**—**	**—**	**23,928**
Share of profits of associates	**—**	**—**	**12**	**—**	**7,541**	**7,553**	**286**	**—**	**—**	**7,839**
Segment profit/(loss) before income tax	**82,457**	**25,447**	**69,432**	**32,296**	**10,914**	**220,546**	**(4,862)**	**2,144**	**—**	**217,828**
Income tax (expenses)/credit	**(12,655)**	**(5,410)**	**(15,134)**	**(5,674)**	**(573)**	**(39,446)**	**1,287**	**—**	**—**	**(38,159)**
Segment profit/(loss) after income tax	**69,802**	**20,037**	**54,298**	**26,622**	**10,341**	**181,100**	**(3,575)**	**2,144**	**—**	**179,669**
Balance sheet items:										
Total segment assets	**1,978,489**	**836,451**	**431,176**	**303,261**	**781,958**	**4,331,335**	**894,508**	**82,957**	**(234,941)**	**5,073,859**
Total segment assets include:										
— Joint ventures	**431,360**	**11,779**	**3,018**	**—**	**—**	**446,157**	**—**	**—**	**—**	**446,157**
— Associates	**—**	**—**	**2,089**	**—**	**90,668**	**92,757**	**6,934**	**—**	**—**	**99,691**
Total segment liabilities	**625,453**	**476,494**	**113,581**	**172,226**	**576,600**	**1,964,354**	**676,177**	**—**	**(234,941)**	**2,405,590**
Other items:										
Depreciation and amortisation, net of amount capitalised	**10,355**	**719**	**142**	**31**	**—**	**11,247**	**568**	**—**	**—**	**11,815**
Provision for impairment of inventories, net of reversal	**1,519**	**—**	**—**	**—**	**—**	**1,519**	**—**	**—**	**—**	**1,519**
Reversal of provision for impairment of trade receivables, net of provision	**11,930**	**—**	**—**	**—**	**—**	**11,930**	**—**	**—**	**—**	**11,930**
Provision for impairment of other receivables	**—**	**—**	**—**	**—**	**—**	**—**	**18,960**	**—**	**—**	**18,960**
Additions to non-current assets (other than available-for-sale financial assets and deferred income tax assets)	**78,904**	**151**	**39**	**128**	**—**	**79,222**	**47**	**—**	**—**	**79,269**
					Year ended and as at 31st December 2013					
Total segment assets	1,981,203	755,354	384,132	186,932	581,939	3,889,560	1,004,723	83,352	(169,409)	4,808,226
Total segment assets include:										
— Joint ventures	417,003	12,565	2,897	—	—	432,465	—	—	—	432,465
— Associates	—	—	2,097	—	83,159	85,256	6,713	—	—	91,969
Total segment liabilities	738,537	413,632	116,917	80,333	386,839	1,736,258	780,701	—	(169,409)	2,347,550
Additions to non-current assets (other than available-for-sale financial assets and deferred income tax assets)	37,722	8,489	81	76	—	46,368	536	—	—	46,904

* This amount includes share of exchange gain realised by Jotun COSCO upon liquidation of its subsidiary of HK$14,345,000, which was reclassified from exchange reserve.

	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 profits of joint ventures	5,157	(499)	112	—	—	4,770	—	—	—	4,770
Share of profits 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:										
— Joint ventures	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 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 income tax assets)	30,647	7,896	18	76	—	38,637	—	—	—	38,637

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	
	2014	2013
	HK$'000	*HK$'000*
Profit before income tax for reportable segments	**215,684**	164,166
Profit before income tax for all other segments	**2,144**	2,872
Profit before income tax for all segments	**217,828**	167,038
Elimination of segment income from corporate headquarters	**(58)**	(51)
Elimination of segment finance costs to corporate headquarters	**6,248**	6,254
Corporate finance income	**56,033**	28,582
Corporate finance costs	**(11)**	(10)
Corporate expenses, net of income	**(30,906)**	(21,014)
Profit before income tax for the Group	**249,134**	180,799
Income tax expenses for all segments	**(38,159)**	(29,268)
Corporate income tax expenses	**(2,056)**	(2,905)
Profit after income tax for the Group	**208,919**	148,626

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

	30th June 2014	31st December 2013	30th June 2013
	HK$'000	*HK$'000*	*HK$'000*
Total assets for reportable segments	**5,225,843**	4,894,283	4,601,005
Total assets for all other segments	**82,957**	83,352	82,083
Elimination of inter-segment receivables	**(234,941)**	(169,409)	(97,808)
	5,073,859	4,808,226	4,585,280
Corporate assets (mainly deposits and cash and cash equivalents)	**5,306,319**	5,362,088	5,342,327
Elimination of corporate headquarters' receivables from segments	**(669,233)**	(720,351)	(772,107)
Total assets for the Group	**9,710,945**	9,449,963	9,155,500

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

	30th June 2014 *HK$'000*	31st December 2013 *HK$'000*	30th June 2013 *HK$'000*
Total liabilities for reportable segments	**2,640,531**	2,516,959	2,347,238
Elimination of inter-segment payables	**(234,941)**	(169,409)	(97,808)
	2,405,590	2,347,550	2,249,430
Corporate liabilities	**30,483**	33,671	29,030
Elimination of segment payables to corporate headquarters	**(669,233)**	(720,351)	(772,107)
Total liabilities for the Group	**1,766,840**	1,660,870	1,506,353

4 OTHER INCOME AND GAINS

	Six months ended 30th June	
	2014 *HK$'000*	2013 *HK$'000*
Gain on disposal of property, plant and equipment	**132**	31
Rental income	**821**	743
Reversal of provision for impairment of inventories, net of provision	**—**	4,150
Reversal of provision for impairment of trade receivables, net of provision	**11,930**	—
Dividend income from listed and unlisted investments	**2,344**	2,340
Fair value gains on financial assets at fair value through profit or loss	**—**	532
Net exchange gains	**—**	18,679
Others	**2,113**	4,374
	17,340	30,849

5 OTHER EXPENSES AND LOSSES

	Six months ended 30th June	
	2014 *HK$'000*	2013 *HK$'000*
Direct operating expenses for generating rental income	**31**	67
Provision for impairment of inventories, net of reversal	**1,519**	—
Provision for impairment of trade receivables, net of reversal	**—**	7,549
Provision for impairment of other receivables	**18,960**	—
Fair value losses on financial assets at fair value through profit or loss	**200**	—
Net exchange losses	**5,267**	—
	25,977	7,616

6 OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30th June	
	2014	2013
	HK$'000	*HK$'000*
Depreciation and amortisation, net of amount capitalised in inventories totalling HK$976,000 (2013: HK$580,000)	**11,956**	12,372

7 FINANCE INCOME — NET

	Six months ended 30th June	
	2014	2013
	HK$'000	*HK$'000*
Interest income from:		
— a fellow subsidiary	**5,679**	3,510
— a joint venture	**234**	246
— bank deposits	**61,900**	36,556
Total finance income	**67,813**	40,312
Interest expenses on bank loans wholly repayable within five years	**(193)**	(1,444)
Other finance charges	**(1,205)**	(1,273)
Total finance costs	**(1,398)**	(2,717)
Finance income — net	**66,415**	37,595

8 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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% (2013: 25%) except for a subsidiary, which was taxed at a reduced rate of 15 % (2013: 15%) 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% (2013: 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	
	2014	2013
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax	**11,587**	10,060
— the PRC enterprise income tax	**25,730**	16,531
— other overseas taxation	**3,407**	1,591
— under/(over)-provision for the PRC taxation in prior period	**21**	(792)
— under-provision for other overseas taxation in prior period	**—**	108
Deferred income tax (credit)/charge — net	**(530)**	4,675
Income tax expenses	**40,215**	32,173

9 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	
	2014	2013
Profit attributable to equity holders of the Company	**HK$190,300,000**	HK$130,924,000
Weighted average number of ordinary shares in issue	**1,513,815,462**	1,513,723,319
Basic earnings per share	**12.57 HK cents**	8.65 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	
	2014	2013
Profit attributable to equity holders of the Company	**HK$190,300,000**	HK$130,924,000
Adjusted weighted average number of ordinary shares in issue	**1,528,418,797**	1,528,957,475
Diluted earnings per share	**12.45 HK cents**	8.56 HK cents

10 DIVIDEND

	Six months ended 30th June	
	2014	2013
	HK$'000	*HK$'000*
Interim dividend, declared, of HK$0.03 (2013: HK$0.02) per ordinary share	**45,416**	30,275

At the board meeting held on 19th August 2014, the directors of the Company declared an interim dividend of HK$0.03 per ordinary share for the six months ended 30th June 2014. 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 2014.

A dividend of HK$52,985,000 relating to the year ended 31st December 2013 (2012: HK$90,824,000) was paid in June 2014.

11 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.

12 TRADE AND OTHER RECEIVABLES

	30th June 2014 HK$'000	31st December 2013 HK$'000
Trade receivables, net of provision for impairment	**1,422,150**	960,354
Bills receivables, prepayments, deposits, other receivables and amounts due from related parties, net of provision for impairment	**703,320**	712,077
	2,125,470	1,672,431

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 2014 HK$'000	31st December 2013 HK$'000
Current–90 days	**1,180,497**	712,965
91–180 days	**159,327**	148,194
Over 180 days	**82,326**	99,195
	1,422,150	960,354

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.

13 TRADE AND OTHER PAYABLES

	30th June 2014 HK$'000	31st December 2013 HK$'000
Trade payables	**715,768**	485,910
Bills payables, advances from customers, accrued liabilities, other payables and amounts due to related parties	**951,068**	1,060,555
	1,666,836	1,546,465

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 2014 HK$'000	31st December 2013 HK$'000
Current–90 days	**672,150**	427,033
91–180 days	**27,859**	52,438
Over 180 days	**15,759**	6,439
	715,768	485,910

14 FINANCIAL GUARANTEE CONTRACTS

As at 30th June 2014, the Group had financial guarantees issued in favour of banks as security for general banking facilities granted to an associate and a joint venture, and financial guarantee issued in favour of the shareholder of a joint venture as counter guarantee in relation to general banking facilities granted to the joint venture.

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

	Year of maturity	30th June 2014 HK$'000	31st December 2013 HK$'000
General banking facilities of:			
— a joint venture	2015	**38,753**	38,769
— an associate	2015	**205,391**	205,477
Counter guarantee	2015	**22,477**	22,486
		266,621	266,732

As at 30th June 2014, 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.

15 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

In 2014, the speed up of adjustment on fleet structure by PRC shipowners drove the demand for relevant shipping services. The Group's overall profit for the first half of 2014 has therefore remarkably rebounded as compared to the same period of 2013. Profit attributable to equity holders of the Company for the period was HK$190,300,000 (2013: HK$130,924,000), representing an increase of 45% as compared to the same period of 2013. Basic earnings per share was 12.57 HK cents (2013: 8.65 HK cents), increased by 45% as compared to the same period of 2013.

Revenue

For the six months ended 30th June 2014, the Group's revenue increased by 6% to HK$4,740,304,000 (2013: HK$4,461,412,000) as compared with the same period of 2013. Except for coatings, all core shipping services segments recorded revenue increases of varying degrees. Segment revenues of ship trading agency, marine equipment and spare parts, marine fuel and other products and insurance brokerage increased by 103%, 35%, 11% and 3% respectively over the same period of 2013. Accordingly, revenue from the core shipping services businesses grew by 12% to HK$4,391,009,000 (2013: HK$3,933,850,000) and accounted for 93% (2013: 88%) of the Group's revenue. Revenue of general trading segment decreased by 34% to HK$349,295,000 (2013: HK$527,562,000) and accounted for 7% (2013: 12%) of the Group's revenue.

Gross Profit and Gross Profit Margin

The Group's gross profit for the period increased by 29% to HK$423,805,000 (2013: HK$328,436,000) while overall average gross profit margin rose to 9% (2013: 7%). The increase in overall average gross profit margin was mainly attributable to the increase in margins of container coatings and asphalt products as well as increase in ship trading agency commission income.

Other Income and Gains

Other income and gains of HK$17,340,000 (2013: HK$30,849,000) for the period primarily included reversal of provision for impairment of trade receivables (net of provision) of HK$11,930,000 (2013: provision for impairment of trade receivables (net of reversal) of HK$7,549,000). Other income and gains for the same period of 2013 primarily included net exchange gains of HK$18,679,000.

Operating Expenses

During the period, operating expenses increased by 19% to HK$264,216,000 (2013: HK$222,323,000). Increase in operating expenses was mainly attributable to increase in selling expenses which mainly included selling expenses payable to customers, sales staff remuneration, commission expenses, technology usage fees and transportation costs. Increase in selling expenses was also due to the requirement to support the speedy growth of ship trading agency business and the increment of sales staff remuneration.

Other Expenses and Losses

The Group recorded other expenses and losses of HK$25,977,000 (2013: HK$7,616,000). Other expenses and losses primarily included provision for impairment of other receivables of HK$18,960,000 of the general trading segment (2013: nil) and net exchange losses of HK$5,267,000 (2013: net exchange gains of HK$18,679,000).

Finance Income

Finance income, which represented primarily interest income on the Group's bank deposits, increased by 68% to HK$67,813,000 (2013: HK$40,312,000) as a result of increase in general level of deposit interest rates and the Company's success to secure higher deposit rates.

Finance Costs

Finance costs, which mainly represented interest expenses on bank loans and other finance charges, decreased by 49% to HK$1,398,000 (2013: HK$2,717,000). The decrease was mainly attributable to the decline of asphalt trading volume during the period as compared to the same period of 2013 which reduced the use of related financial services.

Share of Profits of Joint Ventures

The Group's share of profits of joint ventures increased by 402% to HK$23,928,000 (2013: HK$4,770,000). This item primarily represented the share of profit of Jotun COSCO of HK$24,421,000 (2013: HK$5,157,000) which was included in the coatings segment. The sharp increase in profit contribution from Jotun COSCO was attributable to the improvement of operating results and the share of exchange gain realised by Jotun COSCO upon liquidation of its subsidiary of HK$14,345,000.

Share of Profits of Associates

The Group's share of profits of associates decreased by 14% to HK$7,839,000 (2013: HK$9,088,000). This item primarily comprised the share of profit of Double Rich of HK$7,541,000 (2013: HK$9,498,000) 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 increased by 45% to HK$190,300,000 (2013: HK$130,924,000).

FINANCIAL RESOURCES AND LIQUIDITY

As at 30th June 2014, equity holders' funds of the Company slightly increased by 1.6% to HK$7,592,954,000 (31st December 2013: HK$7,475,168,000). As at 30th June 2014, total cash and bank balances (including non-current deposits of HK$25,194,000 and restricted bank deposits of HK$42,572,000) of the Group was HK$6,037,672,000 (31st December 2013: HK$6,327,816,000). The Group had a net repayment of loans in the amount of HK$35,522,000 (2013: net drawdown of HK$21,434,000) during the period. As at 30th June 2014, total banking facilities available to the Group amounted to HK$2,314,610,000 (31st December 2013: HK$2,320,392,000), of which HK$367,223,000 (31st December 2013: HK$552,662,000) had been utilised. The gearing ratio, which represented total borrowings over total assets, slightly fell to 0.2% (31st December 2013: 0.6%) since the end of 2013. Both the bank loans and the gearing ratio remained at low level since the end of 2013. As at 30th June 2014, the Group had net cash of HK6,013,590,000 (31st December 2013: HK$6,268,030,000). 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. To enhance the Group's revenue and to ensure availability of cash at appropriate times to meet the Group's commitments and needs, the Group, on the basis of balancing risk, return and liquidity, invested in a mix of financial products, including overnight deposits, term deposits and offshore fixed deposits. Cash and deposits of the Group were placed with highly reputable financial institutions both in Hong Kong and China Mainland. During the period, the Group strengthened funds management, actively negotiated with bankers to strive for higher deposit yields for the huge sum of liquid funds on hand. The Group achieved 2.19% return on the Group's cash during the period, represented 196 basis points above 3-month US Dollar London Interbank Offered Rate ("LIBOR") as at the end of June 2014.

As at 30th June 2014, borrowings of the Group were denominated in United States dollars and carried interest at rates calculated with reference to the LIBOR. 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 2014, excluding joint ventures and associates, the Group had 835 (31st December 2013: 804) employees, of which 112 (31st December 2013: 112) are Hong Kong employees. During the period, total employee benefit expenses, including directors' emoluments and provident funds, was HK$126,223,000 (2013: HK$115,589,000). 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 joint venture 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 3 HK cents (2013: 2 HK cents) per share for the six months ended 30th June 2014 which will be payable on or before 25th September 2014 to the shareholders of the Company (the "Shareholders") whose name appear on the register of members of the Company (the "Register of Members") on 11th September 2014.

For the purpose of ascertaining shareholders' entitlement to the interim dividend, the Register of Members will be closed from 8th September 2014 to 11th September 2014, 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 2014, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 5th September 2014.

BUSINESS REVIEW

In the first half of 2014, the global economy showed a gradual stronger recovery signal despite limited momentum and uneven distribution. The United States realised economic growth of higher quality while the euro zone's economic recovery was still fragile. Emerging economies, including China, generally witnessed slower economic growth. Affected by various uncertainties such as intensifying geopolitical conflicts, weaker demand for commodities and lower-than-expected world trade growth, clear signs of recovery are yet to be seen in the global shipping market. Coupled with depressed freights due to the overhang of shipping capacity, the operating condition of shipping and shipbuilding-related enterprises has not improved much. Shipowners continued to adopt stringent cost control measures, putting various segments of shipping services, COSCO International's core business, under considerable operating pressure.

Nevertheless, PRC shipowners speeded up the adjustment on fleet structure. As a result, new build vessel orders and the number of old vessels scrapped increased significantly that boosted the Group's ship trading agency business which was closely related to the trading of new and second-hand vessels and provided development opportunities for other shipping services business. Benefited from the above, the Group spared no effort in developing its existing business operation, and sought for further extension and expansion of business segments during the period. It also strived to maintain its existing customer base by focusing on its marketing services, undertaking transformation and upgrading and enhancing service consciousness, and actively explored the markets outside COSCO Group. In addition, the Group proactively studied and moved forward relevant projects in order to further enhance the shipping services business in accordance with its established development strategy.

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$4,391,009,000 (2013: HK$3,933,850,000), representing an increase of 12% as compared to the same period of 2013. The increase was mainly due to the respective segment revenue of ship trading agency, insurance brokerage, marine equipment and spare parts and marine fuel and other products increased as compared to the same period of 2013. Profit before income tax from shipping services was HK$220,546,000 (2013: HK$150,113,000), representing an increase of 47% as compared to the same period of 2013. The increase in profit before income tax was mainly attributable to substantial increases in profits before income tax from ship trading agency, coatings and marine equipment and spare parts segments as compared to the same period of 2013.

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 fleets 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 and 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 by shipbuilders according to the work progresses 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 the vessels to the buyers.

During the period, shipping companies within COSCO Group speeded up adjustment of the fleet structure and proactively scrapped the old vessels and ordered new ones. As a result, there was a surge in the trading of second-hand vessels, especially scrap vessels and a significant increase in new build vessel orders through COSCO Ship Trading. Furthermore, due to the delayed delivery of some new build vessel orders of COSCO Group in 2013, the delivery of new build vessels ordered through COSCO Ship Trading increased significantly during the period as compared to the same period of 2013, aggregating 1,470,000 dead weight tonnages (2013: 745,600 dead weight tonnages). For second-hand vessels, completed transactions for the sale and purchase of 43 (2013: 9) second-hand vessels through COSCO Ship Trading were recorded, aggregating 2,000,000 dead weight tonnages (2013: 379,000 dead weight tonnages).

In addition, a total of 32 (2013: nil) new build vessels ordered through COSCO Ship Trading were recorded during the period, aggregating 2,520,000 dead weight tonnages (2013: nil). As at 30th June 2014, the amount of new build vessels ordered through COSCO Ship Trading and pending delivery reached 7,089,000 dead weight tonnages, which were scheduled for delivery in the coming two to three years.

During the period, revenue from ship trading agency segment increased by 103% to HK$90,796,000 (2013: HK$44,628,000) as compared to the same period of 2013. Segment profit before income tax was HK$69,432,000 (2013: HK$29,860,000), representing an increase of 133% as compared to the same period of 2013. The increase in segment profit before income tax was mainly due to the significant increase in new build vessel commission, second-hand vessel commission and other commission income during the period as compared to the same period of 2013.

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 the renewal of the hull and machinery insurance of COSCO Group's fleets, continued to consolidate and expand the ship repairer's liability and ship builder's risks insurance businesses within COSCO Group and strengthened the development of motor vehicle insurance, offshore units builders' risk insurance and port and terminal comprehensive insurance. In terms of marketing service, a team of consulting experts specialising in claim settlement services was formed with a legal firm specialising in maritime laws engaged as service consultant to provide customers with value-added and featured services. COSCO Insurance Brokers achieved stable commission income growth from marine insurance brokerage services through consolidating its existing customer base and exploring new customers and new businesses from more shipping companies of large state-owned enterprises.

During the period, revenue from insurance brokerage segment was HK$45,070,000 (2013: HK$43,755,000), increased by 3% as compared to the same period of 2013. Segment profit before income tax was HK$32,296,000 (2013: HK$31,316,000), representing an increase of 3% as compared to the same period of 2013.

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 "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, marine materials supply and voyage repair. Its existing business network covers Hong Kong, Shanghai, Beijing, Japan, Singapore and Germany.

During the period, facing the fierce market competition, COSCO Yuantong Operation Headquarters continued to deepen its marketing services by setting up a non-COSCO Group market development team at each network company respectively to vigorously develop marine equipment, spare parts and new build vessel equipment businesses, which achieved remarkable results in the expansion of non-COSCO Group customers. It was also awarded orders in new build vessel equipment and offshore units builders' equipment agency businesses, representing a substantial breakthrough in new business expansion.

During the period, revenue from marine equipment and spare parts segment was HK$524,989,000 (2013: HK$389,729,000), an increase of 35% as compared to the same period of 2013. Segment profit before income tax was HK$25,447,000 (2013: HK$14,932,000), representing an increase of 70% as compared to the same period of 2013. This was mainly attributable to the increase in volume of marine spare parts replacement resulting from loosening of cost control measures by shipowners and shipping companies given the improved market condition and remarkable result in exploration of non-COSCO Group business, leading to an increase in the sales of marine equipment and spare parts as well as the inclusion of contribution from Hanyuan, which was acquired in 2013, during the period.

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.

For container coatings, COSCO Kansai Companies seized opportunities and successfully explored new customers while further consolidating the core customers. They carried out strategic marketing tailored to the needs of different markets and customers and provided differential services so as to maintain their leading position in China's container coating market. For marine coatings, Jotun COSCO put greater efforts into marketing and customer care, and therefore maintained its leading position in China's marine coating market. In addition, in order to meet the future development needs of the coating business unit and maintain a sound market position in China Mainland, the Group pushed forward the construction of new plants of 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)") was substantially completed and was in the trial production stage, while the plant of 中遠關西塗料(上海)有限公司 (COSCO Kansai Paint (Shanghai) Co., Ltd.*) ("COSCO Kansai Paint (Shanghai)") in Shanghai was officially under construction in the first half of 2014 and was expected to commence production in 2015.

During the period, revenue from coatings segment was HK$661,222,000 (2013: HK$684,640,000), a decrease of 3% as compared to the same period of 2013. This was mainly attributable to decrease in sales volume of container coatings as compared to the same period of 2013. Segment profit before income tax was HK$82,457,000 (2013: HK$61,364,000), representing an increase of 34% as compared to the same period of 2013. This was mainly attributable to the reversal of provision for impairment of receivables (net of provision) of HK$11,930,000 by COSCO Kansai Companies upon its successful collection of outstanding receivables during the period, as well as the significant increase in the Group's 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. 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 annual production capacity of 100,000 tonnes.

During the period, COSCO Kansai Companies succeeded in gaining orders from new customers by continuously conducting effective communication and exchange of ideas with container manufacturing enterprises and container owners, and strengthening the promotion of enterprise brands and cooperation with container owners. It also offered quality services to major container manufacturers and container owners through on-site technical services enhancement, which gained the support and trust of key customers, allowing it to obtain key orders as well as consolidate its leading position in China's container coating market. However, affected by the decrease in container demand in the first quarter of 2014, sales volume of container coatings during the period was 24,071 tonnes, representing a decrease of 12% as compared with 27,234 tonnes recorded in the same period of 2013. In addition, COSCO Kansai Companies continued to vigorously develop the business of industrial heavy-duty anti-corrosion coatings, proactively formulated their sales and marketing strategies for different business segments, carried out specialised management for special industries such as bridge, nuclear power and construction machinery by establishing a regional management model, as well as further developed major projects. During the period, COSCO Kansai Companies continuously supplied goods to the Hong Kong-Zhuhai-Macao Bridge project, sales volume of industrial heavy-duty anti-corrosion coatings together with workshop primer amounted to 6,507 tonnes (2013: 5,370 tonnes), representing an increase of 21% as compared to the same period of 2013.

During the period, COSCO Kansai (Tianjin) was permitted by Tianjin Municipal Government to prepare for the establishment of "Key Laboratory of Special Industrial Anti-corrosion Coatings" ("特種工業防腐塗料重點實驗室") with the approval of the expert group under the science and technology commission (科委專家組) of Tianjin.

1.4.2 Marine Coatings

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

Given the significant decline in new build vessel orders after the financial tsunami, completion of new build vessels in China during the period continued to decrease on a year-on-year basis, resulting in a decrease in the delivery volume of relevant new build vessel coatings as compared to the same period of 2013. Sales volume of new build vessel coatings amounted to 19,077,000 litres, down by 11% as compared to the same period of 2013. Facing the fierce market competition, Jotun COSCO on the one hand seized market opportunities and spared no effort in sales and marketing and customer care so as to raise the number of orders and seek more coatings projects on repairing vessels whilst strictly controlling risks. Sales volume of coatings for repair and maintenance was 7,625,000 litres, up by 20% as compared to the same period of 2013. It, on the other hand, stepped up efforts in promoting products with energy saving and emission reducing features in order to adapt to the market needs, and therefore maintained its leading position in China's marine coating market. During the period, sales volume of Jotun COSCO's marine coatings amounted to 26,702,000 litres (equivalent to approximately 36,048 tonnes) (2013: 27,794,000 litres (equivalent to approximately 37,522 tonnes)), representing a slight decrease of 4% as compared to the same period of 2013. During the period, the Group's share of profit from Jotun COSCO was HK$24,421,000 (2013: HK$5,157,000), up markedly by 374% as compared to the same period of 2013. The increase was mainly attributable to the significant improvement in the gross profit margin of Jotun COSCO due to the decrease in raw material prices during the period as compared to the same period of 2013 as well as share of exchange gain realised by Jotun COSCO upon liquidation of its subsidiary of HK$14,345,000.

In addition, as at 30th June 2014, Jotun COSCO had coating contracts in hand for new build vessels amounting to 26,450,000 dead weight tonnages. These coatings were scheduled to be delivered in the coming two to three years, which guaranteed the stable development of Jotun COSCO's future business.

1.5 Trading and Supply of Marine Fuel and Related Products

Sinfeng Marine Services Pte. Ltd., a wholly-owned subsidiary of the Company ("Sinfeng"), is primarily engaged in the provision of marine fuel supply, trading and brokerage services of marine fuel and related products. Sinfeng has maintained extensive and good business cooperation relationship with major international fuel oil suppliers and traders. 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 and adopted prudent business strategies in response to the depressed shipping market. As for maintaining the existing customer base, Sinfeng established stable and long-term business cooperation with reputable customers through the implementation of its key customer marketing strategy. As for exploring new customers, Sinfeng strictly controlled its operation risks by preferentially selecting shipping enterprises and trading companies with leading positions in the market. Total sales volume of marine fuel products for the period was 635,365 tonnes, up by 13% as compared with 562,323 tonnes in the same period of 2013. During the period, revenue from marine fuel and other products segment was HK$3,068,932,000, up by 11% as compared with HK$2,771,098,000 in the same period of 2013.

In addition, Double Rich, in 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 at the same time in sourcing products such as light diesels and fuel oil. Its major customers are shipowners and ship operators. During the period, the Group's share of profit from Double Rich was HK$7,541,000 (2013: HK$9,498,000), down by 21% as compared to the same period of 2013, which was mainly attributable to the decrease in investment gains during the period.

Profit before income tax from marine fuel and other products segment was HK$10,914,000 (2013: HK$12,641,000), representing a decrease of 14% as compared to the same period of 2013.

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 its operations, has abundant experience in international trade and 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 Mainland market.

During the period, facing the vigorous competitive environment in the industry, CITC, leveraging its marketing services, continued to deepen the transformation and upgrading of asphalt business. For asphalt business, CITC currently had in hand not only highway project orders, but also projects of various modes related to urban infrastructure and retailing, which marked the evolvement from adopting traditional pure tendering and bidding model to adopting both tendering and bidding and non-bidding models. This allowed CITC to achieve moderate diversification and proactively explore new markets. In addition to continuous consolidation of highway market shares, CITC vigorously expanded and gradually entered into areas such as urban infrastructure and retailing in order to increase its profit margins through changes in business model. During the period, sales volume of asphalt by CITC was 56,628 tonnes, down by 7% as compared with 60,773 tonnes in the same period of 2013.

Revenue from general trading segment was HK$349,295,000 (2013: HK$527,562,000), down by 34% as compared to the same period of 2013 due to the cessation of commodity trading business (including, among other things, steel and chemicals) for the sake of risk control during the period. Segment loss before income tax was HK$4,862,000 (2013: profit of HK$14,053,000). The segment loss before income tax was mainly attributable to the provision for impairment of other receivables of HK$18,960,000 by CITC.

ACQUISITION OF 51% EQUITY INTEREST OF YUAN HUA

On 6th August 2014, Yuantong, a wholly-owned subsidiary of the Company, and China Ocean Shipping Company Americas, Inc. ("COSCO Americas") entered into a share purchase agreement (the "Share Purchase Agreement"), whereby Yuantong agreed to acquire 51% of the issued share capital of Yuan Hua Technical & Supply Corporation ("Yuan Hua") from COSCO Americas for a consideration of US$472,800 (equivalent to approximately HK$3,664,000) (the "Acquisition"). Completion of the Acquisition took place on the date of signing the Share Purchase Agreement. Upon completion of the Acquisition, Yuan Hua becomes a subsidiary of the Company. Details of the Acquisition were disclosed in the announcement of the Company dated 6th August 2014.

PROSPECTS

In the second half of 2014, although uncertainties, in particular the unstable factors arising from geopolitical crisis, are expected to persist in the recovery of the global economy, the whole picture is still promising. For the shipping market, it is expected that recovery momentum will still be limited while the imbalance between demand and supply will remain severe, and the operation condition of shipping enterprises will continue to be challenging. It is anticipated that shipowners will continue to control costs strictly and the business prospect of the shipping service industry will still be under pressure.

Nevertheless, shipowners in the PRC will continue to scrap old vessels and build new ones. Active trading in new and second-hand vessel markets is expected to maintain in the second half of 2014, which will continue to boost the demand for shipping services which is closely related to new build vessels and provide favourable conditions for the development of shipping services of COSCO International in the medium-to-long run.

Looking ahead, COSCO International will be exposed to opportunities and challenges in the second half of 2014. The Group will position itself as a global leading one-stop shipping services provider as corporate vision by means of further promoting the transformation and upgrading of shipping services business segments and providing customers with one-stop services through its global network, by offering high quality services and products with core competitiveness. The Group will enhance the steady development of existing businesses and new businesses and improve the profitability of its core business in accordance with its established strategic plans while strictly controlling various operational risks.

In respect of the uncertain market situation, the Group will use its best endeavour to encounter the difficulties. For the ship trading agency, COSCO Ship Trading will actively cater for the needs of shipowners and facilitate the implementation of new build vessel projects. It will coordinate with shipyards and shipowners to ensure smooth delivery of new build vessels. Meanwhile, it will also seize market opportunities and, in response to the change and demand of the market situation, 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 implementation of centralised procurement of COSCO Group as for marine-related insurance, COSCO Insurance Brokers, in addition to the existing hull and machinery insurance, will conduct ship repairer's liability insurance, ship builder's risk insurance and offshore units builders' risk insurance businesses in full swing. Business channels and scope will be further expanded to step up efforts in developing business outside COSCO Group with a focus on reinsurance business. For the supply of marine equipment and spare parts, COSCO Yuantong Operation Headquarters will continue to deepen its marketing services, move forward transformation and upgrading and organise pricing negotiations with spare parts manufacturers or suppliers for more preferential prices. In addition, COSCO Yuantong Operation Headquarters will further optimise network establishment, enhance the exchange of ideas and communication among network companies and enforce the regional and functional roles of each network company. It will fully utilise its existing network, operate its business wisely, explore customers outside COSCO Group vigorously as well as focus on developing manufacturers and suppliers for domestic-made marine spare parts for the purpose of improving the manufacturer and supplier system.

For container coatings, the demand for new build containers throughout 2014 is expected to remain stable. COSCO Kansai Companies will, by seizing opportunities, enhance all-rounded and multi-level strategic cooperation with container manufacturing enterprises and container owners, proactively develop new markets and new customers, step up marketing efforts towards small container manufacturers and widen channels and room for value-added marketing services in order to maintain their leading position in terms of market share in the container coating market. For industrial heavy-duty anti-corrosion coatings, COSCO Kansai Companies will actively formulate market strategies for each business segment, deploy sales networks as well as establish and improve its marketing system that combines regional marketing and industrial marketing for industrial heavy-duty anti-corrosion coatings. They will make full use of local agency resources and industrial resources, expand distributor and agency businesses and put more efforts into the development and follow-up works of key projects in order to achieve a higher success rate in respect of projects. In addition, COSCO Kansai Paint (Shanghai) will also proactively push forward the construction of its new plant in Shanghai. Construction of the new plant has officially started, and it is expected to commence production in 2015. Its maximum total annual production capacity of 75,000 tonnes will strengthen the leading position of COSCO Kansai Companies in the container coating market in China. For marine coatings, the demand throughout 2014 is expected to be slightly higher than that in 2013. Jotun COSCO will capture market opportunities, implement marketing and customer care to increase the volume of orders. On the other hand, more efforts will be invested in promoting products with energy saving and emission reducing features in order to cater for the market needs, which allow Jotun COSCO to maintain its leading position in China's marine coating market. Meanwhile, Jotun COSCO (Qingdao) will have a total annual production capacity of 50,000,000 litres after the commissioning of its new plant in Qingdao, which will firmly secure the leading position of Jotun COSCO in the marine coating market in China.

For the trading and supply of marine fuel and related products, in response to the operating pressure and risks faced by shipping enterprises, Sinfeng will continue to control risk and adopt prudent operating strategy, and gradually minimise businesses of higher risk while retaining its existing quality customers.

For general trading, in the face of intensifying competition in the highway tendering and bidding market in respect of asphalt business, CITC will focus its efforts on asphalt supply and market development and, with the aim of consolidating its market share in the highway market, vigorously expand and gradually step into areas such as urban infrastructure and retailing. The above marks the transformation of CITC from adopting traditional single tendering and bidding model to embracing a combination of tendering and bidding model and non-bidding model, which will act as a significant driver of the balanced development of asphalt business and rapid expansion on its business scale.

For new business development, the Group will continue to proactively seize opportunities to push forward the establishment of global sales and services network and explore new business relating to shipping services in accordance with its established strategic development plan. In the past few years, COSCO International had undertaken research on exploring the bunker oil supplies business, including related acquisitions inside and outside COSCO Group. However, the research results did not meet the Company's expectation and relevant project studies were suspended. From now on, with the full support of COSCO and COSCO (Hong Kong) Group Limited, COSCO International will continue to study the opportunities in other shipping services-related areas, as well as actively explore the development of upstream and downstream businesses along the value chain of existing businesses, aiming to develop itself as a global leading one-stop shipping services provider and 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 2014.

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 (the "CG 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 2014 except that Mr. Wu Shuxiong, the Non-executive Director, was unable to attend the annual general meeting of the Company held on 30th May 2014 due to other business engagement, a deviation from the code provision A.6.7 of the CG Code which provides that independent non-executive directors and other non-executive directors should attend general meetings of the company.

The Audit Committee consists of three Independent Non-executive Directors and the chairman of which is a certified public accountant. The main 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 2014.

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 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 2014, 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, 19th August 2014

As at the date of this announcement, the Board comprises nine directors with Mr. Sun Jiakang (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*