



## COSCO International Announces 2009 Interim Results

(SEHK Code: 00517)

### Results and Operating Summary

- Profit attributable to the equity holders was HK\$245,778,000, increased by 9%.
- Basic earnings per share was 16.50 HK cents, increased by 8%.
- Turnover was HK\$698,269,000, decreased by 45%. Affected by the global financial crisis, the shipping market saw a decline with a persistent downturn in the container manufacturing market. Accordingly, the sales of container coatings recorded a significant decline. However, the sales of marine coatings were strong due to the increase of the delivery of new vessels. Commission income from ship trading agency also maintained a solid growth, partially offsetting the decline in other business segments as a result of the stagnant shipping industry.
- The board of directors of the Company declared an interim dividend of 1 HK cent per share.
- Continued to explore new business by acquiring 18% equity interest in Double Rich Limited, which is principally engaged in trading of bunker oil and oil products and provision of bunker supply services, and specialised in sourcing products like light diesels and fuel oil.
- 2008 Annual Report won the silver award for “Interior Design”, the bronze award for “Cover Photo/Design”, the bronze award for “Printing & Production”, the bronze award for “Financial Data”, in the shipping services category of the 23<sup>rd</sup> International ARC Awards Competition.



# 中遠國際控股有限公司

## COSCO International Holdings Limited

(2<sup>nd</sup> September 2009, Hong Kong) COSCO International Holdings Limited (“COSCO International” or the “Company”) (stock code: 00517) and its subsidiaries (“the Group”) are pleased to announce its unaudited consolidated results for the six months ended 30<sup>th</sup> June 2009.

### **Decent Performance**

For the six months ended 30<sup>th</sup> June 2009, the Group recorded a turnover of HK\$698,269,000 (2008: HK\$1,259,947,000), dropped by 45% as compared to the first half of 2008. Segment turnover of the core shipping services business declined by 61% to HK\$463,047,000 (2008: HK\$1,191,985,000) due to a slump in the sales of container coatings of the Group primarily resulting from the steep decline in the shipping market and a persistent downturn in the container manufacturing market, which were affected by the global financial crisis. During the period, the profit before income tax of the Group dropped by 7% to HK\$267,410,000 (2008: 286,929,000). The profit attributable to the equity holders was HK\$245,778,000 (2008: 225,204,000), increased by 9%. The profit before income tax of the Group decreased but the profit attributable to the equity holders increased was mainly due to the fact that (1) COSCO International Ship Trading Company Limited (“COSCO Ship Trading”) became a wholly-owned subsidiary of the Group as a result of the acquisition of 100% equity interest in COSCO International Trading Company Limited (“CITC”) at the end of 2008, and COSCO Ship Trading’s profit after income tax was no longer required to be attributed to minority shareholders; and (2) income tax expense and profit after income tax attributable to minority shareholders had substantially decreased resulting from the decrease in profits before income tax of COSCO Kansai Companies and Shanghai COSCO Honour Property Development Limited. Basic earnings per share was 16.50 HK cents (2008: 15.23 HK cents), increased by 8%.

### **Dividend**

The board of directors of the Company has declared an interim dividend of 1 HK cent per share for the six months ended 30<sup>th</sup> June 2009 (2008: 1 HK cent per share).

### **Business Review**

Vice Chairman of COSCO International, Mr. Wang Futian, reported the interim results of the Group, “In the first half of 2009, each business segment of the Group was affected in varying degrees under the global financial crisis. Confronted with difficult situations, the Group implemented various measures in a proactive way based on various business characteristics to overcome difficulties, broadened sources of income, reduced expenditure and expanded with innovation, with a view to bringing about a turnaround with every effort. On the one hand, the Group seriously identified the emerged problems and consolidated its development foundation based on its existing assets in terms of its key businesses. The Group strived to strengthen the development of the core shipping services businesses and also maintained existing VIP customers with all efforts and actively explored external markets. The Group made some achievements in this aspect which offset the great drop from certain segments incurred by the downturn of shipping market. As a result, and in addition to the profit contribution from COSCO Ship Trading and SOLHL during the period, of which the Group held 100% and 20.21% equity interests respectively, the Group achieved relatively steady overall results during the first half of the year.”



The Group had been continuously implementing its strategic positioning initiative for its core business in shipping services to seek new development opportunities. By the end of April 2009, the Group completed the acquisition of 18% equity interest in Double Rich Limited (“Double Rich”). The Group began to step into businesses of fuel oil trading and bunker oil supply, as well as oil storage services, so as to expand its shipping services industry platform, thus laying a solid foundation for its shipping services development in the long run.

Performance of the Group’s various key business units in the first half of 2009 are described below:

### **Shipping Services**

The Group benefited from its diversity of shipping services. The industry cycle of shipping services, which is relatively less volatile, is not in the same phase with that of the shipping market. The overall results of the Group did not suffer much. Capitalising on the large amount of new vessel deliveries in the first half of 2009 even though the global economy and shipping market were seriously impacted by the unprecedented crisis, sales of marine coatings recorded strong growth and commission income from ship trading agency also maintained a steady growth, which offset the decline of other business segments. In the first half of 2009, the segment turnover from the shipping services decreased by 61% to HK\$463,047,000 (2008: HK\$1,191,985,000) over the same period of last year. The segment profit before income tax from shipping services was HK\$127,487,000 (2008: HK\$147,974,000), decreased by 14% over the same period of last year.

#### *(1) Ship Trading Agency Services*

The shipping market and shipbuilding market achieved prosperous growth over 2007 and the first half of 2008. Despite delayed delivery in certain orders, the large number of new vessels completed during the period ensured stable growth in commission income from the Group’s ship trading agency services. In the first half of 2009, segment turnover from ship trading agency services was HK\$65,621,000 (2008: HK\$63,175,000), increased by 4% over the same period of last year. Segment profit before income tax was HK\$51,877,000 (2008: HK\$47,186,000), representing an increase of 10% over the corresponding period of last year.

#### *(2) Marine Insurance Brokerage Service*

Insurance companies have generally raised premium rates and the vessel price dropped in view of the global financial crisis. These have exerted difficulties to insurance brokerage business. However, with the devoted efforts to maintain relationship with existing customers, active procurement of new customers, the Group earned new customers and new businesses to offset the negative impacts in the prevailing market predicament and made some achievements in the marine insurance brokerage service sector to a certain extent. During the period, segment turnover from marine insurance brokerage services was HK\$29,586,000 (2008: HK\$31,301,000), representing a slight drop of 5%



over the same period of last year. Segment profit before income tax was HK\$19,233,000 (2008: HK\$21,217,000), down by 9% over the corresponding period of last year.

*(3) Sales of Marine Equipment, Spare Parts and Communications and Navigation Equipment*

Orders for marine equipment reduced sharply resulting from the cost control measures adopted by shipping companies, while the global financial crisis impacted the real economy and the shipping market. During the period, segment turnover from sales of marine equipment, spare parts, communications and navigation equipment was HK\$202,519,000 (2008: HK\$251,877,000), representing a decrease of 20% as compared with the same period of last year. Segment profit before income tax was HK\$20,615,000 (2008: HK\$25,384,000), representing a decrease of 19% compared to the same period of last year.

*(4) Production and Sales of Coatings*

COSCO Kansai Paint & Chemicals (Tianjin) Co., Ltd, COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd and COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd (collectively called “COSCO Kansai Companies”) are mainly engaged in the production and sales of container coatings and industrial heavy-duty anti-corrosion coatings. The Company’s 50/50 joint venture with the Norwegian international coatings manufacturer Jotun A/S, Jotun COSCO Marine Coatings (HK) Limited (“Jotun COSCO”) is mainly responsible for the production and sales of marine coatings. During the period, the production and sales of coatings recorded a segment turnover of HK\$165,321,000 (2008: HK\$845,632,000) representing a decrease of 80% as compared to the corresponding period of last year. Segment profit before income tax was HK\$35,762,000 (2008: HK\$54,187,000), representing a decrease of 34% compared to the same period of last year.

Hampered by the sustained weakness in the container transportation market, market demand for manufacturing containers during the first half of 2009 remained sluggish, which led to a significant drop in demand for container coatings. During the period, total sales volume of container coatings for the COSCO Kansai Companies amounted to 1,682 tonnes, representing a significant decrease of 95% over 34,879 tonnes in the same period of 2008.

During the period, numerous new build vessels were delivered owing to the prosperous development in the China shipbuilding market over 2007 and the first half of 2008, while market exploration efforts paid off in a relatively significant scale, both helped boost the sales volume of marine coatings of Jotun COSCO to 28,377,000 litres (equivalent to approximately 41,147 tonnes) (2008: 20,380,000 litres, equivalent to approximately 29,551 tonnes), representing an increase of 39% compared with the same period of last year. As at 30<sup>th</sup> June 2009, Jotun COSCO had coatings contracts on hand for new build vessels pending for delivery aggregating 35,000,000 dead weight tonnages.



During the period, the COSCO Kansai Companies recorded sales volume of industrial heavy-duty anti-corrosion coatings of 3,180 tonnes (2008: 5,175 tonnes), representing a decrease of 39% compared with the same period of last year, primarily due to the suspension or delay in a number of industrial coatings projects resulted from the slowdown in China's economic growth during the growth.

### **General Trading**

CITC became a wholly-owned subsidiary of the Company since December 2008. CITC is principally engaged in trading of asphalt and trading of various vessel spare parts and accessories, as well as other comprehensive trading. In addition, Double Rich became an associated company of the Company since late April 2009. Double Rich is principally engaged in trading of fuel oil and oil products and provision of bunker oil supply services, and specialised in sourcing products like light diesels and fuel oil. Its customers or end users are mainly vessels owners and ship operators. During the period, segment turnover from general trading was HK\$232,794,000. Segment profit before income tax was HK\$9,086,000.

### **Property Investment**

In the first half of 2009, the segment turnover from property investment was HK\$2,552,000 (2008: HK\$68,113,000), decreased by 96% compared with the same period of 2008, which derived from the sale of 12 carparking spaces in Fragrant Garden. The decrease in the segment turnover from property investments is mainly because the Group has generally discontinued property development activities. Segment profit before income tax was HK\$159,032,000 (2008: HK\$160,835,000) with a slight drop of 1%, which mainly came from the profit contribution of SOLHL.

### **Investment in Sino-Ocean Land Holdings Limited**

As at 30<sup>th</sup> June 2009, the Company held 20.21% equity interest in SOLHL. With the PRC Government's implementation of appropriately loose monetary policy to support credit extension during the first half of the year, demand for real estate in China Mainland bottomed out for the first half of the year and the sales area and sales volume of commodity housing throughout China Mainland recorded significant increases over the same period of last year. During the period, the Group's share of profit from SOLHL increased by 20% to HK\$148,832,000 (2008: HK\$123,563,000) over the corresponding period of last year.

### **Awards**

The Company's 2008 Annual Report won the silver award for "Interior Design", the bronze award for "Cover Photo/Design", the bronze award for "Printing & Production", the bronze award for "Financial Data", in the shipping services category of the 23rd International ARC Awards Competition. The Company will continue to endeavor in further enhancing its annual report's quality, as well as its transparency, so as to enable the shareholders and investors to have a thorough and



in-depth understanding of COSCO International, thus to strengthen effective communication with our investors

### **Outlook**

Looking ahead, the Group will still encounter situations in which challenges and opportunities interweaved. In the ship trading agency services, the Group will grasp opportunities in the new vessel re-sale as well as second-hand markets during the recession of new vessel market. For marine insurance brokerage services, the Group will continue to source new clients, develop hull mutual insurance for vessels registered in China Mainland and new insurance products in order to maximise the profits. For the marine equipment business, the Group will continue to forge closer relations with ship owners and shipbuilders and explore opportunities for marine equipment, communication and navigation equipment outside COSCO group. For the container coatings, the Group will put effort on expanding its market share and maintain client relationship to prepare for the revival of the market; in the marine coatings segment, the Group will optimise its production capacity based on its orders, maintain strict control on product quality and keep improving the services. Following the implementation of economic recovery packages by the PRC government and more infrastructure projects to be carried out, demand for industrial heavy-duty anti-corrosion coatings will demonstrate significant growth and the Group will make an effort on exploring such market.

The Group is going to adopt a “dual-wheel driver” development strategy in which the Group will, on one hand, optimize management and operation, as well as pay close attention to market changes and make timely adjustments to avoid risks arose from market fluctuations. The Group will further improve corporate governance; enhance product and services quality. In addition, the Group will enhance inter-segment synergy through business restructuring within the Group in a bid to enhance its overall competitiveness in the shipping services business. On the other hand, the Group will also initiate capital operations and explore opportunities within and outside COSCO group amid challenges to expand scale of operation and service network and increase profit drivers so as to realize sustainable development.

Under the full support of China Ocean Shipping (Group) Company and COSCO (Hong Kong) Group Limited, the Group aims to build a strong reputation and outstanding brand awareness in the shipping services industry on the back of a steadily growing shipping services market in China, and become a specialised and leading shipping services provider in the industry by providing customers with diversified and professional services.

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# 中遠國際控股有限公司

## COSCO International Holdings Limited

### **Company Background**

COSCO International Holdings Limited (Stock Code: 00517) has been listed on the main board of the SEHK since February, 1992. In recent years, COSCO International focused on its strategic business position on the development of the shipping services business. It aims to become a specialised and leading shipping services provider. Its core businesses are shipping services, including ship trading agency, marine insurance brokerage, sales of marine equipment, spare parts and communications and navigation equipment and production and sales of coatings products, other operations include property investment and general trading, etc.

### **Relationship with Parent Company**

COSCO International is a listed company owned by COSCO (Hong Kong) Group Limited, which is a wholly-owned subsidiary of China Ocean Shipping (Group) Company (“COSCO”). COSCO is one of the most recognised multinational conglomerates in the world, which focuses mainly on shipping and logistics businesses as well as other shipping related businesses. COSCO Hong Kong is an important overseas regional headquarters and conglomerate of COSCO Group, operating and managing a few hundred subsidiaries in Hong Kong and Macau. The main business aspects of COSCO Hong Kong include shipping services, information technology, property development, property management, etc.

### **Editorial Note**

Full text of the 2009 interim results announcement is available on the website of the SEHK ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company’s website ([www.coscointl.com](http://www.coscointl.com)). Webcast of the 2009 interim results press conference and analysts meeting of COSCO International will also be available at our website since 3<sup>rd</sup> September 2009.

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