

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



# 中遠國際控股有限公司

## COSCO International Holdings Limited

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00517)**

### ANNOUNCEMENT OF 2009 INTERIM RESULTS

#### Results Highlights

- Profit attributable to the equity holders was HK\$245,778,000, increased by 9%.
- Basic earnings per share was 16.5 HK cents, increased by 8%.
- Turnover was HK\$698,269,000, decreased by 45%. Affected by the global financial crisis, the shipping market rapidly declined 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 delivery of new build vessels and 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 declared an interim dividend of 1 HK cent per share.
- Continued to explore new businesses by acquiring 18% equity interest in Double Rich. Double Rich is principally engaged in trading of fuel oil and oil products and provision of bunker oil supply services, and is specialised in sourcing products like light diesels and fuel oil.

The board of directors (the “Board” or the “Directors”) of COSCO International Holdings Limited (the “Company”) 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 2009. 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 statement of financial position and explanatory notes 1 to 11 as presented below are extracted from the Group’s unaudited condensed consolidated interim financial information for the six months ended 30th June 2009 (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 2009**

		<b>Unaudited</b>	
		<b>Six months ended 30th June</b>	
		<b>2009</b>	<b>2008</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	<b>698,269</b>	1,259,947
Cost of sales		<b>(515,499)</b>	(887,446)
<b>Gross profit</b>		<b>182,770</b>	372,501
Other income	3	<b>46,917</b>	3,121
Selling, administrative and general expenses		<b>(127,899)</b>	(182,400)
Other expenses		<b>(24,260)</b>	(54,841)
<b>Operating profit</b>	4	<b>77,528</b>	138,381
Finance income	5	<b>5,974</b>	14,062
Finance costs	5	<b>(6,123)</b>	(7,735)
Finance (costs)/income – net	5	<b>(149)</b>	6,327
Share of results of jointly controlled entities		<b>35,887</b>	18,658
Share of results of associated companies		<b>154,144</b>	123,563
<b>Profit before income tax</b>		<b>267,410</b>	286,929
Income tax expense	6	<b>(22,323)</b>	(29,445)
<b>Profit for the period</b>		<b>245,087</b>	257,484
<b>Profit/(loss) attributable to:</b>			
Equity holders of the Company		<b>245,778</b>	225,204
Minority interests		<b>(691)</b>	32,280
		<b>245,087</b>	257,484
<b>Dividend</b>	7(a)	<b>14,897</b>	14,798
<b>Earnings per share attributable to the equity holders of the Company during the period</b>			
– basic, HK cents	8(a)	<b>16.50</b>	15.23
– diluted, HK cents	8(b)	<b>16.41</b>	14.73

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30TH JUNE 2009**

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2009</b>	<b>2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit for the period</b>	<b>245,087</b>	257,484
<b>Other comprehensive income</b>		
Exchange translation differences	<b>2,067</b>	266,951
Exchange reserve realised upon dissolution of a subsidiary	<b>(33,721)</b>	–
Share of exchange differences of associated companies and jointly controlled entities	<b>(13)</b>	(552)
Share of fair value gains/(losses) on available-for-sale financial assets of an associated company	<b>4,218</b>	(2,768)
Gain on revaluation of properties	–	7,799
Fair value gains/(losses) on available-for-sale financial assets	<b>41,728</b>	(24,835)
<b>Other comprehensive income for the period</b>	<b>14,279</b>	246,595
<b>Total comprehensive income for the period</b>	<b>259,366</b>	504,079
<b>Total comprehensive income/(loss) attributable to:</b>		
Equity holders of the Company	<b>259,956</b>	458,643
Minority interests	<b>(590)</b>	45,436
	<b>259,366</b>	504,079

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30TH JUNE 2009**

	Note	Unaudited 30th June 2009 HK\$'000	Audited 31st December 2008 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties		26,818	26,815
Intangible assets		91,327	91,323
Property, plant and equipment		127,673	123,824
Prepaid premium for land leases		12,913	13,194
Jointly controlled entities		166,457	130,935
Associated companies	9	4,281,071	4,052,810
Available-for-sale financial assets		80,231	38,503
Deferred income tax assets		45,878	40,844
		<u>4,832,368</u>	<u>4,518,248</u>
<b>Current assets</b>			
Completed properties held for sale		582	2,631
Inventories		246,631	356,735
Trade and other receivables	10	671,963	887,374
Financial assets at fair value through profit or loss		470	239
Current income tax recoverable		–	897
Restricted bank deposits		48,546	118,963
Deposits and cash and cash equivalents		1,200,767	1,373,978
		<u>2,168,959</u>	<u>2,740,817</u>
<b>Total assets</b>		<u><b>7,001,327</b></u>	<u><b>7,259,065</b></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital		148,972	148,967
Reserves		5,559,011	5,301,389
Proposed dividend		–	95,339
Interim dividend declared	7(a)	14,897	–
Scrip dividend relating to 2008	7(b)	68,845	–
		<u>5,791,725</u>	<u>5,545,695</u>
<b>Minority interests</b>		<u>198,159</u>	<u>241,373</u>
<b>Total equity</b>		<u><b>5,989,884</b></u>	<u><b>5,787,068</b></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		8,973	8,363
<b>Current liabilities</b>			
Trade and other payables	11	846,125	1,128,321
Current income tax liabilities		21,525	18,353
Short-term borrowings		108,326	316,960
Dividend payable relating to 2008	7(b)	26,494	–
		<u>1,002,470</u>	<u>1,463,634</u>
<b>Total liabilities</b>		<u><b>1,011,443</b></u>	<u><b>1,471,997</b></u>
<b>Total equity and liabilities</b>		<u><b>7,001,327</b></u>	<u><b>7,259,065</b></u>
<b>Net current assets</b>		<u><b>1,166,489</b></u>	<u><b>1,277,183</b></u>
<b>Total assets less current liabilities</b>		<u><b>5,998,857</b></u>	<u><b>5,795,431</b></u>

*Notes:*

**1 Basis of preparation and accounting policies**

The 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 (“Stock Exchange”).

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 2008 annual financial statements except that the Group has adopted the following new standards and amendments issued by the HKICPA, which are relevant to its operations and are effective for accounting periods beginning on or after 1st January 2009.

HKFRSs (Amendments)	Improvements to HKFRSs <sup>1</sup>
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 28 (Amendment)	Investments in Associates

<sup>1</sup> except for the amendments to HKFRS 5 which will be applied from 1st January 2010

HKFRS 8 requires a ‘management approach’ under which segment information is presented on the same basis that used for internal reporting purposes. The adoption of this has resulted in a number of changes and additional disclosures to the presentation of segmental information in the Unaudited Condensed Consolidated Interim Financial Information.

HKAS 1 (Revised) prohibits the presentation of items of income and expenses, which are ‘non-owner changes in equity’, in the statement of changes in equity. These items have to be presented separately from owner changes in equity and shown in a performance statement. The Group has elected to present two performance statements including an income statement and a statement of comprehensive income. The Unaudited Condensed Consolidated Interim Financial Information has been prepared under the revised disclosure requirements.

The adoption of the above other standards and amendments in the current period did not have any financial impact including reclassification on the Unaudited Condensed Consolidated Interim Financial Information nor result in any substantial changes in the Group’s significant accounting policies.

The following revised standards and interpretation have been issued by the HKICPA, which are relevant to the Group’s operations, but not yet effective for the accounting period beginning on 1st January 2009. These revised standards and interpretation have not been early adopted by the Group.

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners

The Group has already commenced an assessment of the related impact of these revised standards and interpretation to the Group, but is not yet in a position to state whether any substantial changes to the Group’s significant accounting policies and presentation of the financial statements will be resulted.

The Unaudited Condensed Consolidated Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31st December 2008.

## 2 Turnover and segment information

The Group is principally engaged in the provision of shipping services, general trading and property investments. Turnover recognised during the period is as follows:

	Six months ended 30th June	
	2009	2008
	HK\$'000	HK\$'000
Sale of coating products	165,321	845,632
Sale of marine equipment and spare parts	202,162	251,877
Commission income from ship trading agency	65,389	62,922
Commission income from insurance brokerage	29,489	31,211
Sale of asphalt and other products	232,767	–
Sale of properties	2,552	66,575
Rental income	589	1,730
	<u>698,269</u>	<u>1,259,947</u>

The management considers the business from a product perspective. From a product perspective, management assesses the performance of coating products, marine equipment and spare parts, ship trading agency, insurance brokerage, general trading and property investments.

The management has identified the following reportable segments on the basis of the Group's internal reports that are regularly reviewed by the management in order to make decisions about resources to be allocated to the segment and assess its performance.

Reportable segments	Business activities
Coating products	Manufacturing and sale of coating products, and holding of investment in a jointly controlled entity, Jotun COSCO Marine Coatings (HK) Limited ("Jotun COSCO")
Marine equipment and spare parts	Trading of marine equipment, spare parts, communications and navigation equipment, and holding of investments in various jointly controlled entities
Ship trading agency	Provision of agency services relating to shipbuilding, ship trading and bareboat charter business
Insurance brokerage	Provision of insurance brokerage services
General trading	Trading of asphalt and other products, and holding of investments in various jointly controlled entities and associated companies
Property investments	Sale of completed properties held for sale and holding of investment in an associated company, Sino-Ocean Land Holdings Limited ("SOLHL")

All other segments comprise holding of 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. The accounting policies of the operating segments are consistent with those set out in the 2008 annual financial statements.

Shipping services

	Coating products HK\$'000	Marine equipment and spare parts HK\$'000	Ship trading agency HK\$'000	Insurance brokerage HK\$'000	Total HK\$'000	General trading HK\$'000	Property investments HK\$'000	All other segments HK\$'000	Total HK\$'000
<b>Six months ended 30th June 2009:</b>									
Turnover from external customers	165,321	202,519	65,594	29,489	462,923	232,794	2,552	–	698,269
Inter-segment turnover	–	–	27	97	124	–	–	–	124
<b>Total turnover</b>	<b>165,321</b>	<b>202,519</b>	<b>65,621</b>	<b>29,586</b>	<b>463,047</b>	<b>232,794</b>	<b>2,552</b>	<b>–</b>	<b>698,393</b>
Segment operating profit	2,179	19,807	50,620	19,239	91,845	6,333	9,925	231	108,334
Finance income	707	734	1,525	102	3,068	199	279	–	3,546
Finance costs	(3,343)	(6)	(268)	(108)	(3,725)	(2,346)	(4)	–	(6,075)
Share of results of jointly controlled entities	36,219	80	–	–	36,299	(412)	–	–	35,887
Share of results of associated companies	–	–	–	–	–	5,312	148,832*	–	154,144
<b>Segment profit before income tax</b>	<b>35,762</b>	<b>20,615</b>	<b>51,877</b>	<b>19,233</b>	<b>127,487</b>	<b>9,086</b>	<b>159,032</b>	<b>231</b>	<b>295,836</b>
Income tax expense	(4,329)	(2,784)	(10,192)	(2,981)	(20,286)	(3,147)	(21)	–	(23,454)
<b>Segment profit after income tax</b>	<b>31,433</b>	<b>17,831</b>	<b>41,685</b>	<b>16,252</b>	<b>107,201</b>	<b>5,939</b>	<b>159,011</b>	<b>231</b>	<b>272,382</b>
Segment operating profit has been arrived at after charging/(crediting) the following:									
Depreciation and amortisation, net of amount capitalised	3,187	389	238	363	4,177	145	–	–	4,322
Reversal of provision for impairment of inventories, net of provision	(4,647)	–	–	–	(4,647)	–	–	–	(4,647)
Reversal of provision for impairment of trade receivables, net of provision	(1,400)	(2,195)	–	–	(3,595)	–	–	–	(3,595)
<b>Additions to non-current assets (other than available-for-sale financial assets and deferred tax assets)</b>	<b>11,438</b>	<b>–</b>	<b>–</b>	<b>11</b>	<b>11,449</b>	<b>46,578</b>	<b>106,379</b>	<b>–</b>	<b>164,406</b>
<b>As at 30th June 2009:</b>									
Total segment assets	921,015	317,622	407,445	286,617	1,932,699	347,519	4,221,181	78,941	6,580,340
Total segment assets include:									
Jointly controlled entities	148,361	10,805	–	–	159,166	7,291	–	–	166,457
Associated companies	–	–	–	–	–	60,641	4,220,430	–	4,281,071
<b>Year ended 31st December 2008:</b>									
Additions to non-current assets (other than available-for-sale financial assets and deferred tax assets)	25,410	1,556	12,073	463	39,502	25,839	2,301	–	67,642
<b>As at 31st December 2008:</b>									
Total segment assets	1,280,441	290,050	416,479	134,781	2,121,751	327,566	4,095,831	36,982	6,582,130
Total segment assets include:									
Jointly controlled entities	112,117	10,720	–	–	122,837	8,098	–	–	130,935
Associated companies	–	–	–	–	–	8,943	4,043,867	–	4,052,810

\* This represents share of result of SOLHL.

Shipping services

	Coating products <i>HK\$'000</i>	Marine equipment and spare parts <i>HK\$'000</i>	Ship trading agency <i>HK\$'000</i>	Insurance brokerage <i>HK\$'000</i>	Total <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	All other segments <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Six months ended 30th June 2008:</i>								
Turnover from external customers	845,632	251,877	63,114	31,211	1,191,834	68,113	–	1,259,947
Inter-segment turnover	–	–	61	90	151	–	–	151
<b>Total turnover</b>	<b>845,632</b>	<b>251,877</b>	<b>63,175</b>	<b>31,301</b>	<b>1,191,985</b>	<b>68,113</b>	<b>–</b>	<b>1,260,098</b>
Segment operating profit/(loss)	42,998	23,902	44,343	20,770	132,013	34,343	(235)	166,121
Finance income	509	740	3,180	547	4,976	2,943	–	7,919
Finance costs	(7,232)	(4)	(337)	(100)	(7,673)	(14)	–	(7,687)
Share of results of jointly controlled entities	17,912	746	–	–	18,658	–	–	18,658
Share of result of an associated company	–	–	–	–	–	123,563*	–	123,563
<b>Segment profit/(loss) before income tax</b>	<b>54,187</b>	<b>25,384</b>	<b>47,186</b>	<b>21,217</b>	<b>147,974</b>	<b>160,835</b>	<b>(235)</b>	<b>308,574</b>
Income tax expense	(7,049)	(3,229)	(8,513)	(3,510)	(22,301)	(3,673)	–	(25,974)
<b>Segment profit/(loss) after income tax</b>	<b>47,138</b>	<b>22,155</b>	<b>38,673</b>	<b>17,707</b>	<b>125,673</b>	<b>157,162</b>	<b>(235)</b>	<b>282,600</b>
Segment operating profit has been arrived at after charging the following:								
Depreciation and amortisation, net of amount capitalised	5,165	369	388	212	6,134	5	–	6,139
Provision for impairment of inventories, net of reversal	241	–	–	–	241	–	–	241
Provision for impairment of trade receivables, net of reversal	40,905	18	–	–	40,923	–	–	40,923
<b>Additions to non-current assets (other than available-for-sale financial assets and deferred tax assets)</b>	<b>6,632</b>	<b>1,487</b>	<b>305</b>	<b>–</b>	<b>8,424</b>	<b>–</b>	<b>–</b>	<b>8,424</b>
<i>As at 30th June 2008:</i>								
Total segment assets	1,435,072	297,845	392,755	158,452	2,284,124	4,156,036	63,998	6,504,158
Total segment assets include:								
Jointly controlled entities	107,483	9,398	–	–	116,881	–	–	116,881
Associated company	–	–	–	–	–	3,867,823	–	3,867,823

\* This represents share of result of SOLHL.

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

	<b>Six months ended 30th June</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Total for reportable segments	<b>295,836</b>	308,574
Elimination of inter-segment profit	<b>(37)</b>	(33)
Corporate finance income	<b>2,428</b>	6,143
Corporate finance costs	<b>(48)</b>	(48)
Corporate expenses, net of income	<b>(30,769)</b>	(27,707)
	<hr/>	<hr/>
Total for the Group	<b>267,410</b>	286,929
	<hr/>	<hr/>

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

	<b>30th June</b>	31st December	30th June
	<b>2009</b>	2008	2008
	<b>HK\$'000</b>	HK\$'000	HK\$'000
Total for reportable segments	<b>6,580,340</b>	6,582,130	6,504,158
Corporate assets	<b>423,602</b>	685,229	424,955
Elimination of inter-segment receivables	<b>(2,615)</b>	(1,697)	(2,909)
Elimination of segment receivables from corporate headquarters	<b>–</b>	(6,597)	(49,921)
	<hr/>	<hr/>	<hr/>
Total for the Group	<b>7,001,327</b>	7,259,065	6,876,283
	<hr/>	<hr/>	<hr/>

### 3 Other income

	<b>Six months ended 30th June</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Fair value gains on investment properties	<b>–</b>	332
Gain on disposal of property, plant and equipment	<b>127</b>	153
Exchange reserve realised upon dissolution of a subsidiary	<b>33,721</b>	–
Reversal of provision for impairment of inventories, net of provision	<b>4,647</b>	–
Reversal of provision for impairment of trade receivables, net of provision	<b>3,595</b>	–
Recovery of bad debts written off	<b>–</b>	52
Fair value gain on financial assets at fair value through profit or loss	<b>231</b>	–
Dividend income from financial assets	<b>–</b>	52
Net exchange gains	<b>3,469</b>	–
Others	<b>1,127</b>	2,532
	<hr/>	<hr/>
	<b>46,917</b>	3,121
	<hr/>	<hr/>

#### 4 Operating profit

Operating profit is stated after charging the following:

	Six months ended 30th June	
	2009 HK\$'000	2008 HK\$'000
Depreciation, net of amount capitalised in inventories totalling HK\$3,136,000 (2008: HK\$726,000)	4,472	6,314
Amortisation of prepaid premium for land leases	284	285
Wages, salaries and benefits, net of amount capitalised in inventories totalling HK\$6,385,000 (2008: HK\$5,421,000)	58,464	63,113
Employee share option benefits	6,774	10,428
Pension costs	5,511	5,230
Loss on deemed disposal of partial interest in an associated company	24,251	–
Fair value loss on financial assets at fair value through profit or loss	–	250
Provision for impairment of inventories, net of reversal	–	241
Provision for impairment of trade receivables, net of reversal	–	40,923
Write-off of inventories	9	246
Cost of inventories sold	513,420	867,105
Cost of properties sold	2,050	20,281

#### 5 Finance (costs)/income – net

	Six months ended 30th June	
	2009 HK\$'000	2008 HK\$'000
Interest income from:		
– fellow subsidiaries	92	–
– a jointly controlled entity	1,216	203
– money market fund investments	52	23
– bank deposits	4,614	13,836
Total finance income	5,974	14,062
Interest expenses on bank and other loans wholly repayable within five years	(4,939)	(6,557)
Other finance charges	(1,184)	(1,178)
Total finance costs	(6,123)	(7,735)
Finance (costs)/income – net	(149)	6,327

#### 6 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the period.

China Mainland taxation has been calculated on the estimated assessable profit derived from the Group's operations in China Mainland for the period at 25% (2008: 25%) except for certain subsidiaries, which are taxed at a reduced rate of 20% (2008: 18%) based on different local preferential policies on income tax and approval by relevant tax authorities.

Deferred income tax is calculated in full on temporary differences under the liability method using tax rates enacted or substantively enacted by the balance sheet date.

The amount of income tax charged for the period to the condensed consolidated income statement represents:

	<b>Six months ended 30th June</b>	
	<b>2009</b>	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	<b>10,205</b>	13,031
– China Mainland taxation	<b>16,527</b>	16,842
Deferred income tax charge	<b>609</b>	–
Deferred income tax credit	<b>(5,018)</b>	(428)
	<hr/>	<hr/>
Income tax expense	<b>22,323</b>	29,445
	<hr/>	<hr/>

## 7 Dividend

### (a) Dividend attributable to the interim period

	<b>Six months ended 30th June</b>	
	<b>2009</b>	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
2009 interim dividend, declared, of HK\$0.01 (2008: HK\$0.01) per ordinary share	<b>14,897</b>	14,798
	<hr/>	<hr/>

At the board meeting held on 2nd September 2009, the directors declared an interim dividend of HK\$0.01 per ordinary share for the six months ended 30th June 2009. This dividend has not been reflected as dividend payable in the Unaudited Condensed Consolidated Interim Financial Information, but will be reflected in the financial statements as an appropriation of retained profits for the year ending 31st December 2009.

### (b) Final dividend for the year ended 31st December 2008

At the board meeting held on 27th March 2009, the directors proposed a final dividend of HK\$0.064 per ordinary share for the year ended 31st December 2008, which will be payable in cash with a scrip dividend alternative. The final dividend and the scrip dividend scheme were approved by the shareholders on 2nd June 2009. The scrip dividend alternatives were accepted by the shareholders as follows:

	<i>HK\$'000</i>
Cash dividend	26,494
Scrip dividend	68,845
	<hr/>
	<b>95,339</b>
	<hr/>

The above cash dividend was paid on 8th July 2009 and has been recognised as a liability in the Unaudited Condensed Consolidated Interim Financial Information. The shares in respect of the scrip dividend were issued on 8th July 2009 and the scrip dividend was reflected in the financial statements as an appropriation of retained profits after 30th June 2009.

## 8 Earnings per share

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

	2009	2008
Profit attributable to the equity holders of the Company	<b>HK\$245,778,000</b>	HK\$225,204,000
Weighted average number of ordinary shares in issue	<b>1,489,671,788</b>	1,478,492,280
Basic earnings per share	<b><u>16.50 HK cents</u></b>	<u>15.23 HK cents</u>

- (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.

	2009	2008
Profit attributable to the equity holders of the Company	<b>HK\$245,778,000</b>	HK\$225,204,000
Adjusted weighted average number of ordinary shares in issue	<b>1,497,510,666</b>	1,528,530,722
Diluted earnings per share	<b><u>16.41 HK cents</u></b>	<u>14.73 HK cents</u>

## 9 Associated companies

On 27th April 2009, the Group completed the acquisition of 18% equity interest of Double Rich Limited (“Double Rich”) at a cash consideration of US\$4,905,484 (equivalent to approximately HK\$38,018,000) from COSCO Trading and Supply Investments Limited, a wholly-owned subsidiary of COSCO (Hong Kong) Group Limited (“COSCO Hong Kong”). The principal activities of Double Rich include investment holding and the trading of oil products. Goodwill of approximately HK\$19,173,000 was resulted from the acquisition.

As at 30th June 2009, investments in associated companies include mainly the carrying amounts of the Group’s investments in SOLHL and Double Rich of HK\$4,220,430,000 (2008: HK\$4,043,867,000) and HK\$50,940,000 (2008: nil) respectively.

## 10 Trade and other receivables

	30th June 2009 HK\$'000	31st December 2008 HK\$'000
Trade receivables, net of provision for impairment	<b>478,074</b>	667,373
Deposits, prepayments, other receivables and amounts due from related companies	<b>193,889</b>	220,001
	<b><u>671,963</u></b>	<u>887,374</u>

The ageing analysis of trade receivables after provision for impairment is as follows:

	30th June 2009 HK\$'000	31st December 2008 HK\$'000
Current – 90 days	<b>189,413</b>	223,627
91–180 days	<b>79,365</b>	255,622
Over 180 days	<b>209,296</b>	188,124
	<b><u>478,074</u></b>	<u>667,373</u>

For sale of coating products, marine equipment, spare parts, asphalt and other products, the majority of sales are on credit terms from 30 days to 90 days. Revenues from sale of properties and other operating revenue are billed according to the terms of the relevant contracts governing the transactions. Other than those with credit terms, all invoices are payable upon presentation.

## 11 Trade and other payables

	<b>30th June 2009 HK\$'000</b>	31st December 2008 HK\$'000
Trade payables	<b>140,365</b>	215,215
Accrued liabilities, other payables and amounts due to related companies	<b>705,760</b>	913,106
	<b><u>846,125</u></b>	<b><u>1,128,321</u></b>

The ageing analysis of trade payables is as follows:

	<b>30th June 2009 HK\$'000</b>	31st December 2008 HK\$'000
Current – 90 days	<b>111,666</b>	96,330
91–180 days	<b>15,040</b>	85,906
Over 180 days	<b>13,659</b>	32,979
	<b><u>140,365</u></b>	<b><u>215,215</u></b>

## FINANCIAL REVIEW

### Overall Results

For the six months ended 30th June 2009, the Group recorded a turnover of HK\$698,269,000 (2008: HK\$1,259,947,000), decreased by 45% as compared to the same period of last year 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. Profit attributable to the equity holders of the Company for the period was HK\$245,778,000 (2008: HK\$225,204,000), increased by 9% as compared to the same period of last year. Basic earnings per share was 16.50 HK cents (2008: 15.23 HK cents), increased by 8% as compared to the same period of last year.

### Turnover

For the six months ended 30th June 2009, Group turnover decreased by 45% to HK\$698,269,000 (2008: HK\$1,259,947,000). As a result of the drastic decline of demand in the container shipping industry and a downturn in the container manufacturing industry, production and sales of container coatings decreased substantially; turnover from the core business in shipping services fell by 61% to HK\$462,923,000 (2008: HK\$1,191,834,000) and accounted for 66% (2008: 95%) of Group turnover. Percentage of turnover from shipping services to Group turnover fell because of the additional sales of asphalt and other products from the general trading business after the acquisition of 100% equity interest in 中遠國際

貿易有限公司 (COSCO International Trading Company Limited) (“CITC”) by the Group at the end of 2008. Turnover from general trading segment amounted to HK\$232,794,000 and accounted for 33% of Group turnover. Segment turnover from property investments represented the sale of remaining properties at Fragrant Garden and accounted for 1% (2008: 5%) of Group turnover.

### **Gross Profit and Gross Profit Margin**

Gross profit for the period fell by 51% to HK\$182,770,000 (2008: HK\$372,501,000) primarily due to a decrease in turnover. Average gross profit margin fell by 4 percentage points to 26% (2008: 30%) primarily due to change in the sales composition: firstly, property sales with higher gross profit margin were included in the sales composition in 2008 and no significant property sales were made in the first half of 2009; secondly, the addition of CITC’s sales revenue (with a relatively thin gross profit margin) lowered the overall gross profit margin.

### **Operating Profit**

Operating profit fell by 44% to HK\$77,528,000 (2008: HK\$138,381,000) primarily due to a decrease in Group turnover and the impact of the sales composition. Compared with the decrease in gross profit, operating profit decreased relatively less primarily due to other income including exchange reserve realised of HK\$33,721,000 upon completion of the dissolution of Shanghai COSCO Honour Property Development Limited (“Shanghai Honour”), and net reversal of provisions for impairment of trade receivables and inventories of HK\$8,242,000, reflecting the successful expected outcome of measures carried out to collect outstanding trade receivables and enhance sales performance.

### **Finance Income**

Finance income represented interest income. Interest income decreased by 58% to HK\$5,974,000 (2008: HK\$14,062,000) due to the factors such as the generally lower bank deposit interest rates and a lower bank deposit level during the period.

### **Finance Costs**

Finance costs mainly represented interest expenses on bank and other loans and other finance charges. Finance costs decreased by 21% to HK\$6,123,000 (2008: HK\$7,735,000) due to the repayment of loans by the Group during the period.

### **Share of Results of Jointly Controlled Entities**

The Group’s share of results of jointly controlled entities increased by 92% to HK\$35,887,000 (2008: HK\$18,658,000) which was primarily due to greatly improved performance of Jotun COSCO as a result of better sales performance and reduced raw material prices.

### **Share of Results of Associated Companies**

The Group’s share of results of associated companies increased by 25% to HK\$154,144,000 (2008: HK\$123,563,000) which was primarily due to better financial performance of SOLHL as a result of its beefed up effort in cost control and a fair value gain on investment property recorded during the period.

## **Profit Attributable to the Equity Holders**

Profit attributable to the equity holders during the period was HK\$245,778,000 (2008: HK\$225,204,000). In addition to the above-mentioned factors affecting the operating profit, share of results of jointly controlled entities and share of results of associated companies, profit attributable to the equity holders increased by 9%, in comparison to the period-on-period decrease of 7% in the profit before income tax of the Group, was primarily 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 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 as a result of the decrease in profits before income tax of COSCO Kansai Companies (as defined under “Production and Sales of Coatings” of “BUSINESS REVIEW”) and Shanghai Honour.

## **FINANCIAL RESOURCES AND LIQUIDITY**

As at 30th June 2009, equity holders’ funds of the Company increased by 4% to HK\$5,791,725,000 (31st December 2008: HK\$5,545,695,000). As at 30th June 2009, total cash and bank balance (including restricted bank deposits) of the Group was HK\$1,249,313,000 (31st December 2008: HK\$1,492,941,000). The Group had a net repayment of loans in the amount of HK\$208,634,000 (2008: a net drawdown of loans of HK\$26,978,000) during the period. As at 30th June 2009, total banking facilities available to the Group amounted to HK\$979,529,000 (31st December 2008: HK\$865,141,000), of which HK\$229,269,000 (31st December 2008: HK\$478,916,000) had been utilised. The decrease in utilisation of banking facilities was mainly attributable to lower working capital requirement as a result of reduced coating business volume during the period. Accordingly, the gearing ratio, which represented total borrowings over total assets, fell to 1.5% (31st December 2008: 4.4%) since the end of last year. As at 30th June 2009, borrowings of the Group were denominated in Renminbi and United States dollars and carried interest at rates calculated with reference to the benchmark interest rates announced by the People’s Bank of China and the London Interbank Offered Rate. The Group had no financial instruments for interest rate hedging purposes.

## **FOREIGN EXCHANGE EXPOSURE**

The Group operates principally in Hong Kong and China Mainland, 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 managed its foreign exchange exposure through matching its operating costs and borrowings against its receivables on sales. Nevertheless, the Group is still exposed to relevant foreign exchange risk in respect of Renminbi and United States dollars exchange rate fluctuations such that the Group’s profit margin might be impacted accordingly. In addition, the conversion of Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchange controls promulgated by The Government of the People’s Republic of China (the “PRC Government”).

## **EMPLOYEES**

As at 30th June 2009, excluding associated companies and jointly controlled entities, the Group had 659 (31st December 2008: 662) employees of which 109 (31st December 2008: 107) are employed in Hong Kong. During the period, total staff cost, including directors' emoluments, employee share option benefits and pension costs amounted to approximately HK\$77,134,000 (2008: HK\$84,192,000). Employees were remunerated on the basis of their performance and experience. Remuneration packages include salary and year-end discretionary bonus, which are determined with reference to market conditions and individual performance. During the period, all of the Hong Kong employees participated in the Mandatory Provident Fund Scheme or recognised occupational retirement scheme.

On 2nd December 2004, the Directors (excluding Independent Non-executive Directors) and certain employees of the Group were granted share options to subscribe for a total of 32,650,000 shares of the Company at 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 HK\$1.21 per share. These share options are exercisable at any time from 6th June 2005 to 5th June 2015. On 9th March 2007, the Directors (excluding Independent Non-executive Directors) and certain employees of the Group and jointly controlled entity were granted share options to subscribe for a total of 25,930,000 shares of the Company at 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 1 HK cent per share (2008: 1 HK cent per share) for the six months ended 30th June 2009. The register of members of the Company will be closed from Monday, 28th September 2009 to Wednesday, 30th September 2009, both days inclusive, during which no transfer of shares of the Company will be effected. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 25th September 2009.

It is expected that the interim dividend will be payable on or before Thursday, 8th October 2009 to those shareholders whose names appear on the register of members of the Company on Wednesday, 30th September 2009.

## **BUSINESS REVIEW**

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, broaden sources of income, reduce expenditure and expand with innovation, with a view to creating opportunities from crisis 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 including ship trading agency services, marine insurance brokerage services, sales of marine equipment, spare parts, communications and navigation equipment, and production and sales of coatings. Besides strictly controlling its cost, the Group also consolidated existing VIP customers with all its strength through expansion with innovation and strengthening service mentality, and actively exploring external markets, which made certain achievements. As a result, the great impact of a market downturn was partially offset, which led to profits realised by each business segment of the Group. In addition to the profit contribution during the period from SOLHL, of which the Group held 20.21% equity interest, the Group achieved relatively stable overall results during the first half year. On the other hand, the Group had been continuously implementing its strategic positioning initiative for its core business in shipping services to seek for new development opportunities. The Group completed the acquisition of 18% equity interest in Double Rich by the end of April 2009 and began to step into businesses of fuel oil trading and bunker oil supply, and oil storage service, so as to expand its shipping services industry platform, thus laying a solid foundation for its shipping services development in the long run.

### **1. Shipping Services**

In early 2009, the impact of the financial tsunami on the worldwide economies intensified. Each country in turn launched various financial and monetary policies to bail its economy out with intent to stimulate economic growth and stabilise the financial market in the near term. As the effects of these policies started to emerge gradually, there was an indication of slowdown or decline of the global economy. It was apparent that the China economy gradually stabilised with emergence of proactive factors and favourable conditions. According to the economic data published by National Bureau of Statistics of The People's Republic of China ("PRC"), the gross domestic products of the PRC ("GDP") were approximately RMB13,986.2 billion for the first half of 2009, increased by 7.1% as compared with the same period of last year. However, the foundation of the PRC's economic recovery was not solid due to the existence of uncertainties.

During the period, there was an imbalance between demand and supply in the global shipping market as a result of global economic recession and steep decline in international trade. Shipping enterprises in turn cut capital expenditure, which resulted in steep decrease in global new build ship orders and a downtrend in new build vessel prices in the first half of 2009. At the same time, shipping enterprises frequently requested to cancel new build ship orders or delay new build vessel delivery. However, the number of new build vessel delivery recorded a substantial increase during the first half of 2009 due to a huge amount of new build ship ordered in the past. According to the statistic data released by Clarkson Research Services Limited, the new build vessel delivery volume amounted to 53.80 million dead weight tonnages in the first half of 2009, representing an increase of 47% as compared with the corresponding period of last year. In addition, dry bulk shipping market took the lead in recovery under the economic

stimulation plans of the PRC, which boosted the trading of second-hand bulk carriers with month-on-month increase in terms of vessel trading and vessel prices in the first half of the year. The value of vessels generally bottomed out. However, the resumption of domestic demand in the European countries and the United States remained slow, resulting in a continuously weak container shipping market. Demand for container coatings was adversely affected further by the significant decrease in volume of new containers.

The Group benefited from the diversity of its shipping services. It took advantage of a large amount of new build vessel delivery in the first half of 2009 despite that the global economy and shipping market were seriously impacted by the unprecedented crisis. Sales of marine coatings realised strong growth and commission income from ship trading agency also maintained a solid growth, which partially offset the decline in other business segments as a result of the stagnant shipping industry. In the first half of 2009, segment turnover from the shipping services decreased by 61% to HK\$463,047,000 (2008: HK\$1,191,985,000) as compared with the same period of last year. Segment profit before income tax from shipping services was HK\$127,487,000 (2008: HK\$147,974,000), decreased by 14% as compared with the same period of last year.

### *1.1 Ship Trading Agency Services*

COSCO Ship Trading, a wholly-owned subsidiary of the Company, is engaged in provision of exclusive agency services relating to shipbuilding and ship trading and agency services relating to chartering for the fleet of China Ocean Shipping (Group) Company (“COSCO”) and its subsidiaries (collectively called “COSCO Group”), as well as similar agency services to non-COSCO Group shipping companies. COSCO Ship Trading mainly derives its turnover from agency services. In the case of new build vessels, COSCO Ship Trading is paid commissions by shipbuilders according to the relevant contracts. As for second-hand vessels, trading commissions are paid according to the contracts after the vendors had delivered vessels to buyers.

Since the shipping market and shipbuilding market achieved prosperous growth over the past few years, the new build ship orders consummated by the Group have been scheduled for delivery in the coming three to four years. Despite delayed delivery in certain orders, the large number of new build 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 increased by 4% to HK\$65,621,000 (2008: HK\$63,175,000), as compared with the same period of last year, and segment profit before income tax was HK\$51,877,000 (2008: HK\$47,186,000), representing an increase of 10% as compared with the corresponding period of last year.

The slump in shipbuilding market around the world was continuously affected by the credit crunch and overcapacity of shipping transportation sector. Meanwhile, the revival in the shipping market and optimistic views concerning future economic development led to increasingly active trading in second-hand vessels and new vessel resale markets. The shipping industry realignment and stimulation plan announced by the PRC Government in June 2009 reinforced credit and financial

support to the operation of the shipbuilding industry and extended further lines of credit to purchasers of export vessels. Therefore, the current difficulties in shipbuilding financing are expected to be relieved and such efforts will prove beneficial to the stable development of the shipbuilding market. Confronted with this evolved situation in the ship trading market, COSCO Ship Trading will, on the one hand, coordinate with the ship owners and shipyards with every effort to ensure effective execution of contracted orders. On the other hand, it will seize the new opportunities arising in the active markets of new vessel resale, second-hand vessels and vessel dismantling. COSCO Ship Trading will also speed up its exploration of new businesses in order to overcome the adversities presented by the prevailing market volatilities, thus laying a foundation for further development.

## *1.2 Marine Insurance Brokerage Services*

COSCO (Hong Kong) Insurance Brokers Limited (“HK COSCO Insurance Brokers”), a wholly-owned subsidiary of the Company, has Lloyd’s broker accreditation and mainly operates intermediary businesses in relation to marine insurance and ship owner’s liability insurance outside China Mainland. 深圳中遠保險經紀有限公司 (Shenzhen COSCO Insurance Brokers Limited) (“SZ COSCO Insurance Brokers”), a non-wholly owned subsidiary of the Company, is also engaged in provision of insurance brokerage services to the vessels registered in China Mainland. In view of the global financial crisis, insurance companies have generally raised premium and shipping enterprises have taken stringent measures to control costs which present difficulties for insurance brokerage business. However, with the devoted efforts to preserve existing customers and actively procure new customers, HK COSCO Insurance Brokers and SZ COSCO Insurance Brokers (collectively called “COSCO Insurance Brokers”) earned new customers and new businesses to offset the negative impacts brought by the prevailing market predicament and achieved results 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% as compared with the same period of last year. Segment profit before income tax was HK\$19,233,000 (2008: HK\$21,217,000), down by 9% as compared with the corresponding period of last year.

Despite a slight improvement on the global shipping market, where signs of rental price reversal and bottoming out of vessel price have appeared, such improvements are still insufficient to drive ship owners to consider raising their insured sums. Therefore, income from insurance intermediary commissions is not expected to increase in the second half of 2009. Nevertheless, demand for marine insurance will increase in line with the increased volume of new build vessel delivery. Confronted with intensifying market competition, COSCO Insurance Brokers will, while stabilising its existing business, strengthen efforts in expanding business and procuring new customers, strive to breakthrough with respect to hull and machinery co-insurance, and actively pursue markets for new insurance products. They will also enhance marketing capabilities, strengthen risk management and reduce costs, in order to achieve greater operating results.

### *1.3 Sales of Marine Equipment, Spare Parts, Communications and Navigation Equipment*

Yuantong Marine Service Co. Limited (“Yuantong”), a wholly-owned subsidiary of the Company, is principally engaged in the sales and installation of marine equipment and spares parts for existing and new build vessels, as well as oil drilling project at sea, communications systems, shore-based AIS systems, vessel traffic management systems and information management systems for land users.

New orders for marine equipment sharply reduced as 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), decreased by 19% over the corresponding period of last year.

Shipping companies around the world are still confronted with the pressure of a significant decline in operating results over the corresponding period of last year. As such, the policy of stringent cost control is expected to continue in the second half of 2009 and the procurement of spare parts will reduce accordingly, which means market demand for marine spare parts will hardly see any recovery. In order to maintain market share under the market downturn and keen competition, Yuantong will continue to improve the level and content of its services, with a view to gaining additional competitive advantages. Besides, Yuantong will also forge closer relationship with ship owners and shipyards in order to explore more business opportunities outside the COSCO Group. Manufacturers’ discounts will be sought on the principle of mutual benefits in order to effectively enhance the gross profit margin of its businesses, thus maximising its profit. In addition, Yuantong will be integrated with other businesses of the Group for better synergies in order to further explore business opportunities in the China Mainland’s market.

### *1.4 Production and Sales of Coatings*

中遠關西塗料化工(天津)有限公司 (COSCO Kansai Paint & Chemicals (Tianjin) Co., Ltd.), 中遠關西塗料化工(上海)有限公司 (COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd.) and 中遠關西塗料化工(珠海)有限公司 (COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd.), all being non-wholly owned subsidiaries of the Company (collectively called “COSCO Kansai Companies”) are principally engaged in the production and sales of container coatings and industrial heavy-duty anti-corrosion coatings. Jotun COSCO, the 50/50 joint venture formed by the Company and the international coatings producer Jotun A/S, Norway, is principally engaged in the production and sales of marine coatings.

During the period, segment turnover from production and sales of coatings was HK\$165,321,000 (2008: HK\$845,632,000), representing a decrease of 80% as compared with the same period of last year. Segment profit before income tax was HK\$35,762,000 (2008: HK\$54,187,000), representing a decrease of 34% over the corresponding period of last year.

#### 1.4.1 Container Coatings

COSCO Kansai Companies have established coating plants in Zhuhai, Shanghai and Tianjin respectively. Those three coating plants are located in the three most economically developed regions in China, namely the Pearl River Delta, the Yangtze River Delta and the Pan-Bohai Rim Area respectively, with total production capacity of 100,000 tonnes. Hampered by the sustained depression in the container transportation market, market demand for new containers during the first half of 2009 remained sluggish and orders for new containers sharply decreased. Some container manufacturing plants stopped their production because of lack of orders. The sharp fall in demand for new containers led to a significant drop in demand for container coatings, which resulted in a steep decline in container coatings orders placed with COSCO Kansai Companies in the first half of 2009. During the period, total sales volume of container coatings for COSCO Kansai Companies amounted to 1,682 tonnes, representing a significant decrease of 95% as compared to 34,879 tonnes in first half of 2008.

It is expected that demand for new containers from shipping companies and container leasing companies will continue to stay low, and demand for container coatings will accordingly decrease because of various factors such as overcapacity of the container transportation sector and the constant high level of container inventories. As keen competition in the container coating market has further intensified, COSCO Kansai Companies will strive to reduce procurement costs, strengthen internal management, optimise business operations process and enhance market competitiveness. In addition, COSCO Kansai Companies will well prepare themselves for quick capture of opportunities once the market regains momentum by continuously maintaining a close relationship with key customers and excelling at expanding their market share.

#### 1.4.2 Marine Coatings

Jotun COSCO is principally engaged in production and sales of marine coatings in China (including the China Mainland, Hong Kong and Macau Special Administrative Regions). During the period, numerous new build vessels were delivered owing to the prosperous development in the China shipbuilding market over the past few years, while market exploration efforts paid off in a relatively significant scale. Both boosted 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% as compared with the same period of last year. Among which, sales volume of new build vessel coatings amounted to 21,136,000 litres, which fulfilled the supply of coatings to new build vessels aggregating 3,700,000 dead weight tonnages, representing an increase of 65% as compared with the corresponding period of last year. Sales volume of coatings for repairing and maintenance was 7,241,000 litres, dropped by 5% as compared with the corresponding period of last year. As at 30th June 2009, Jotun COSCO had coatings contracts on hand for new build vessels pending for delivery aggregating 35,000,000 dead weight tonnages.

As the shipping market has yet to stabilise, it is expected that demand for coatings used in ship conversion as well as repairing and maintenance will decrease. However, it is expected that overall market demand for coatings for new build vessels will be relatively stable, since new build vessels ordered in the past are scheduled to be delivered in the coming three years. Facing keen market competition, risks of order revocation and requests for delay in vessel delivery, as well as further shrinking demand for vessel repairing business, Jotun COSCO will grasp the contracted orders for new build vessel coatings, and at the same time continue to strengthen customer management by focusing on business development with key customers and those with sound businesses, while efforts will also be made to seek new orders. By properly scheduling orders and production capacity, imposing strict control on production quality and continuous improving in service quality, the position of Jotun COSCO in the China market will be further consolidated and enhanced.

#### 1.4.3 Industrial Heavy-Duty Anti-Corrosion Coatings

During the period, 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% as compared with the same period of last year. It was primarily due to the slowdown of China's economic growth in the first half of the year that led to suspension or delay of certain industrial coating projects.

With a series of policies launched to expand domestic demand and investment in China Mainland, it is expected that there will be a significant increase in construction scale for infrastructure in China Mainland, resulting in a steady increase in demand for industrial heavy-duty anti-corrosion coatings. The upcoming World Expo 2010 in Shanghai presents business opportunities as there will be demand for industrial heavy-duty anti-corrosion coatings from the complementary construction projects. Therefore, COSCO Kansai Companies will actively seize these opportunities by focusing on the development of industrial heavy-duty anti-corrosion coating products, mainly for fast-growing industries such as nuclear power stations, ports, trailers, electricity, oil, petrochemical, transportation and municipal infrastructure in order to expand the market share of relevant products and develop new niche markets for profit growth.

## 2. General Trading

CITC became a wholly-owned subsidiary of the Company since December 2008. CITC is principally engaged in trading of asphalt and marine equipment, spare parts and materials, as well as other comprehensive trading. CITC is familiar with the market and the market operations of China Mainland and has abundant experience in international trading. It has steady suppliers and stable market share, which will generate synergies between the Group's shipping services business, serving an important platform for the Group to tap into the market of China Mainland.

In the first half year, leveraging on the support of the PRC Government, which launched measures to expand domestic demand including expansion of infrastructure projects, various provinces and municipalities in China Mainland had increased investments in road construction starting from 2009, leading to a corresponding increase in imports of asphalt for highways. CITC was well-positioned to capitalise its advantages to expand relevant markets. During the period, CITC captured market opportunities and expanded its competitive edges for asphalt projects.

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 is specialised in sourcing products like light diesels and fuel oil. Its customers or end users are mainly ship 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, which included the profit contribution from Double Rich since the Group's acquisition of its 18% equity interest.

### **3. Property Investments**

In the first half of 2009, the segment turnover from property investments was HK\$2,552,000 (2008: HK\$68,113,000), decreased by 96% as 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 was mainly because the Group has substantially discontinued property development activities. Segment profit before income tax was HK\$159,032,000 (2008: HK\$160,835,000), which mainly came from the profit contribution of SOLHL, an associated company of the Company, representing a slight drop of 1% as compared with the corresponding period of last year.

#### *3.1 Investment in SOLHL*

As at 30th June 2009, the Group held 20.21% equity interest in SOLHL, the shares of which were listed on the Stock Exchange. SOLHL held 100% interest in Sino-Ocean Land Limited ("SOLL").

SOLL is one of the well known property developer in China Mainland and is principally engaged in the development of medium to high-end residential properties and premium grade office buildings, retail properties, serviced apartments and hotels. Besides with a leading position in Beijing and the Pan-Bohai Rim Area, SOLL also expands into the regions with rapid economic growth such as the Pearl River Delta and the Yangtze River Delta. With the PRC Government's implementation of appropriately loose monetary policy which supported credit extension during the first half year, demand for real estate in China Mainland took the lead to bottom out, and recorded significant increase over the same period of last year in terms of sales area and sales volume of commodity housing throughout China Mainland. During the period, the Group's share of profit from SOLHL was HK\$148,832,000 (2008: HK\$123,563,000), increased by 20% as compared with the corresponding period of last year.

Although the PRC Government has taken appropriate measures in monitoring mortgage loans to control the real estate market, there are still positive prospects for the PRC property market in the long run as there are no changes to the great demand for better living environment and commercial buildings while urbanisation in the PRC is still developing and the growth trends in social and personal wealth remain unchanged. Capitalising on its sound financial strength, strong brand reputation, prime project locations and flexible marketing strategy, SOLL will maintain its leading position in Beijing and the Pan-Bohai Rim Area.

## **Prospects**

Following the introduction of bailout policies by various governments and the gradual emergence of their effects, global economic contraction began to slow down. Signs of recovery or bottoming out are noted in some economic sectors. The China economy has taken the lead in recovery though with uneven momentum on an unstable foundation. However, based on the recent data, it is commonly believed that the increase in domestic demand in China may drive the annual GDP growth to 8% or above. An overall global economic recovery is pending due to many prevailing uncertainties. The global shipping industry also sees a bottoming out or gradual recovery under the current circumstances with gradual improvement in the financial conditions of the shipping enterprises. The policies conducive to the shipping industry and the logistics development also help to solve the prevailing difficulties in seeking financing for vessels, thus providing encouraging support to the shipbuilding industry and the related shipping services industries. The above factors do have positive effects on the future operations of the Group, which positioned “shipping services business” as its core business. Meanwhile, we are still well aware of the fact that the repercussions of the financial tsunami will continue to loom in the short term. It takes an extended period for the global economy to recover and for the shipping industry to return to a state of equilibrium of supply and demand.

Looking forward, the Group will experience both “opportunities” and “challenges” in times of uncertainty. We are determined to face the challenges ahead. We are proactive to take expedient measures to drive the business development with all efforts. For ship trading agency services, the Group will identify the new opportunities arising in the new vessel resale market and the second-hand vessel market in a time of new build vessel market recession. For marine insurance brokerage business, the Group will continue to develop new customers and hull and machinery co-insurance for the vessels registered in China Mainland and new insurance products to maximise operating efficiency. For marine equipment, spare parts, communication and navigation equipment business, the Group will continue to forge closer relations with ship owners and shipyards, and explore the business of spare parts and communications and navigation equipment outside the COSCO Group. For container coatings, the Group will focus on expanding its market share and maintaining closer relationship with customers so as to well prepare itself for the market regaining momentum. For marine coatings, the Group will properly allocate production capacity based on its orders, impose strict control on production quality and continuously improve its service quality. It is expected that there will be a significant increase in demand for industrial heavy-duty anti-corrosion coatings with the economic stimulation plans introduced in China Mainland. The Group will make great effort to explore the industrial heavy-duty anti-corrosion coating market.

The “dual-wheel driven” development strategy employed by the Group seeks to excel at the production and operation of various business units and consolidate existing businesses. At the same time, the Group tries to realise sustainable and better development with greater operating scale, a greater service network and greater overall competitiveness in the shipping services industry by proactive capital management, identifying opportunities arising in the crisis and expansion into the market inside and outside the COSCO Group.

In addition, the Group will also strengthen its operation and management and closely monitor the market dynamics and carry out timely adjustments in an appropriate manner, so as to actively carry out precautionary measures pertaining to all kinds of operational risks incurred by market fluctuations. Furthermore, our corporate governance level will be further enhanced and the quality of our management, products and services will be improved to consolidate our core corporate competitiveness. We will also strive to further strengthen the synergies between business units through group business restructuring. Therefore, the overall capability of creating efficiency of the Group can be enhanced. In addition, dedicated efforts will be made under the spirit of “new products, new customers, new markets” to explore business opportunities inside and outside of the COSCO Group, with the aim of expanding the Group’s services network and tapping into new niche markets for profit growth.

Overall, under the full support of COSCO and COSCO Hong Kong, the Group aims to build a strong reputation and outstanding brand awareness in shipping services industry on the backup of a steadily growing China shipping services industry, and become a specialised and leading shipping services provider in the industry by providing customers with diversified professional services.

## **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 2009.

## **CORPORATE GOVERNANCE**

Maintaining high standards of corporate governance has always been one of the Company’s priorities. This is achieved through an effective and timely disclosure of information by the Board and a proactive investor relations programme.

During the six months ended 30th June 2009, the Board believed that the Company has complied with the code provisions of Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The Audit Committee consists of three Independent Non-executive Directors and the chairman of which is a certified public accountant. The duties of the Audit Committee include reviewing the important 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.

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. The Securities Code has been revised, inter alia, in accordance with the relevant amendments of the Model Code with effect from 1st January 2009 in relation to the imposition of a time limit on an listed issuer to respond to a director’s request to deal and on the director to deal (if he so chooses) once clearance is given and with effect from 1st April 2009 regarding an extension of the black out period. In order to ensure Directors’ dealing in the securities of the Company are conducted in accordance with the Securities Code, a committee comprising the Chairman, the Vice Chairman, the Managing Director and the Deputy Managing Directors of the Company has been set up to deal with such transactions. The Company has made specific enquiry of all Directors regarding any non-compliance with the Securities Code during the six months ended 30th June 2009, all Directors confirmed that they have complied with the required standard set out in the Securities Code during the period.

By Order of the Board  
**COSCO International Holdings Limited**  
**Liang Yanfeng**  
*Managing Director*

Hong Kong, 2nd September 2009

*As at the date of this announcement, the Board comprises thirteen Directors with Mr. Zhang Fusheng (Chairman), Mr. Wang Futian (Vice Chairman), Mr. Wang Xiaoming, Mr. Liang Yanfeng (Managing Director), Mr. Wang Xiaodong and Mr. Lin Wenjin as Executive Directors; Mr. Li Jianhong, Mr. Jia Lianjun, Mr. Meng Qinghui and Mr. Chen Xuwen as Non-executive Directors and Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec and Mr. Jiang, Simon X. as Independent Non-executive Directors.*