International

COSCO International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 0517)

2005 INTERIM RESULTS

Sustainable Development with Solid Growth

HIGHLIGHTS OF RESULTS

- Turnover reached HK$947,008,000, up 4%
- Profit attributable to shareholders was HK$369,794,000, up 754%
- Basic earnings per share was HK26.12 cents, up 748%
- Operating profit was HK$428,680,000, up 344%. The substantial increase was mainly due to the surplus arising from the revaluation of the properties at COSCO Tower of HK$299,841,000. Excluding the surplus, the Group achieved an operating profit of HK$128,839,000, up 34%
- Outperformed ship trading and supplying services, recorded a turnover of HK$831,229,000, up 76%; its contribution was HK$96,451,000, up 31%
- Solid expansion in the core businesses through the respective acquisitions of 49% and 100% equity interest in Guangzhou Jotun Ocean Paint Co., Limited and Yuantong Marine Service Company Limited
- The Board declares an interim dividend payment of HK1 cent per share

The board of directors (the "Board") of COSCO International Holdings Limited ("COSCO International" or the "Company") is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th June 2005. The unaudited consolidated interim results have been reviewed by the audit committee of the Company (the "Audit Committee").

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30th June 2005

		Unaudited Six months ended 30th June	
		2005	**2004**
	Note	*HK$'000*	*HK$'000*
Turnover	*3*	947,008	906,390
Cost of sales		(703,132)	(712,289)
Gross profit		243,876	194,101
Other revenues		7,557	1,496
Other operating income		11,710	7,524
Fair value gains on investment properties and write–back of impairment loss on prepaid premium for land leases		300,441	–
Administrative expenses		(62,861)	(40,962)
Selling and distribution expenses		(65,826)	(58,234)
Other operating expenses		(6,217)	(7,459)
Operating profit	*4*	428,680	96,466
Finance costs	*5*	(13,095)	(6,082)
Share of results of an associated company		3,760	–
Share of results of a jointly controlled entity		(7,969)	3,132
Profit before taxation		411,376	93,516
Taxation	*6*	(18,644)	(24,773)
Profit after taxation		392,732	68,743
Profit attributable to:			
Shareholders of the Company		369,794	43,297
Minority interests		22,938	25,446
		392,732	68,743
Dividend		14,174	–
Earnings per share	*7*		
Basic		26.12 cents	3.08 cents
Fully diluted		25.84 cents	3.04 cents

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30th June 2005

	Note	**Unaudited 30th June 2005** *HK$'000*	**Restated 31st December 2004** *HK$'000*
Non-current assets			
Goodwill		79,616	62,321
Property, plant and equipment		58,431	204,147
Investment properties		29,300	425,100
Prepaid premium for land leases		20,949	568,478
Associated companies		22,732	2,659
Jointly controlled entities		203,501	210,454
Available-for-sale financial assets/other investment in a joint venture and investment securities		90,909	73,526
		505,438	1,546,685
Current assets			
Completed properties held for sale		28,633	50,878
Properties under development for sale		214,437	194,634
Inventories		206,134	216,478
Trade and other receivables	8	654,666	410,204
Financial assets at fair value through profit or loss/short-term investments		377	327
Non-current assets classified as held for sale		1,402,000	–
Cash and bank balances		1,223,114	562,870
		3,729,361	1,435,391
Current liabilities			
Trade and other payables	9	1,505,916	668,253
Taxation		30,253	19,101
Current portion of long-term bank loans		12,870	12,825
Bank loan			
– secured		–	79,076
– unsecured		85,712	30,718
Liabilities directly associated with non-current assets classified as held for sale		587,486	–
		2,222,237	809,973
Net current assets		1,507,124	625,418
		2,012,562	2,172,103
Financed by:			
Share capital		141,744	141,444
Reserves		1,324,191	940,514
Proposed final dividend		–	35,361
Proposed interim dividend		14,174	–
Shareholders' funds		1,480,109	1,117,319
Minority interests		188,821	188,895
Total equity		1,668,930	1,306,214
Long-term bank and other loans		343,632	865,889
		2,012,562	2,172,103

Notes:

1. **Basis of preparation and accounting policies**

   The condensed interim financial statements have been prepared in accordance with Hong Kong Accounting Standard No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

   The accounting policies and methods used in the preparation of the condensed interim financial statements are consistent with those set out in the 2004 annual financial statements, except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") (collectively "HKFRS") which are effective for accounting periods commencing on or after 1st January 2005.

2. **Changes in accounting policies**

   (a) The adoption of the HKFRS has the following impacts on the Group's accounting policies:

   (i) *HKAS 1 "Presentation of Financial Statements"*

   HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associated companies and jointly controlled entities, and other disclosures.

(ii) *HKAS 17 "Leases"*

The adoption of HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to prepaid premium for land leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land was stated at cost less accumulated depreciation and accumulated impairment loss. Apart from the presentational changes with comparatives restated, this change in accounting policy does not have any material effect on the financial statements. This change in accounting policy has been applied retrospectively.

(iii) *HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement"*

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to investment securities and short-term investments. Investment securities and other investment in a joint venture have been re-designated as available-for-sale financial assets and are stated at fair values. Changes in their fair values are accounted for as movements in reserve. The difference between the fair value of available-for-sale financial assets as at 1st January 2005 and the carrying amounts of the investment securities and other investment in a joint venture as at 31st December 2004 was credited to the opening investment revaluation reserve as at 1st January 2005. In previous accounting periods, investment securities were stated at cost less provision for diminution in value; other investment in a joint venture was carried at cost less accumulated amortisation and accumulated impairment loss. Short-term investments have been re-designated as financial assets at fair value through profit or loss. HKAS 39 does not permit the recognition, derecognition or measurement of financial assets and liabilities in accordance with this standard on a retrospective basis.

(iv) *HKAS 40 "Investment Property"*

The adoption of HKAS 40 has resulted in a change in the accounting policy for investment properties. In previous accounting periods, surpluses arising on revaluation of investment properties were credited to the investment property revaluation reserve while deficits arising on revaluation of investment properties were firstly set off against any previous revaluation surpluses on a portfolio basis and thereafter charged to the income statement. Following the adoption of HKAS 40, all changes in revaluation of the investment properties are to be recognised in the income statement. Since the Group has adopted the fair value model, there is no requirement for the Group to restate the comparative information; any adjustment should be made to the retained earnings at 1st January 2005, including the reclassification of any amount held in revaluation surplus for investment properties.

(v) *HKFRS 2 "Share-based Payments"*

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31st December 2004, the provision of share options to employees did not result in an expense in the income statements. Effective 1st January 2005, the Group expenses the cost of share options in the income statement. There is no impact on the prior year financial statements, as the Group had no unvested share options outstanding as at 1st January 2005. HKFRS 2 was applied retrospectively only for equity instruments granted after 7th November 2002 and not vested at 1st January 2005.

(vi) *HKFRS 3 "Business Combination" and HKAS 36 "Impairment of Assets"*

The adoption of HKFRS 3 and HKAS 36 has resulted in a change in the accounting policy for goodwill. Until 31st December 2004, goodwill was amortised on a straight-line basis over its estimated useful life. For previously recognised goodwill, the Group ceased amortisation from 1st January 2005 and the accumulated amortisation as at 31st December 2004 has been eliminated with a corresponding decrease in the cost of goodwill. From the year ending 31st December 2005 onwards, goodwill is tested annually for impairment, as well as when there is an indication of impairment. Any impairment loss recognised is charged to the income statement. For previously recognised negative goodwill, the carrying amount of negative goodwill at 1st January 2005 was derecognised and credited to the opening retained profits. HKFRS 3 was applied prospectively after the adoption date with any adjustment made to the retained profits as at 1st January 2005.

(vii) *HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"*

The adoption of HKFRS 5 has resulted in the reclassification of certain assets and liabilities which the Group had the intention to sell as non-current assets/liabilities classified as held for sale.

(viii) *HKAS-Int 3 "Revenue – Pre-completion of Contracts for the Sale of Development Properties"*

The adoption of HKAS-Int 3 has resulted in a change in the accounting policy for sales of properties under development. In previous accounting periods, profit was recognised by the stage of completion method. Effective from 1st January 2005, profit from sales of properties under development is only recognised upon completion of the property development. In accordance with the transitional provisions, the Group will continue to use the stage of completion method to recognise revenue from the sale of properties under development entered into before 1st January 2005.

(b) The effects of the changes in the above accounting polices on the financial statements are summarised below:

	Effect of adopting						
	HKFRS 2	**HKAS 17**	**HKAS 32 and 39**	**HKFRS 3, HKAS 36 and 38**	**HKAS 40**	**HKFRS 5**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
a) Consolidated income statement							
For the six months ended 30th June 2005							
Increase in administrative expenses	(1,400)	(44)	–	–	–	–	(1,444)

The changes in accounting policies have no material effect on the basic earnings per share and fully diluted earnings per share.

The changes in accounting policies have no material effect on the consolidated income statement for the six months ended 30th June 2004.

	HKFRS 2	HKAS 17	HKAS 32 and 39	HKFRS 3, HKAS 36 and 38	HKAS 40	HKFRS 5	Total
b) Consolidated balance sheet							
At 30th June 2005							
Increase in goodwill	–	–	–	8,315	–	–	8,315
Decrease in property, plant and equipment	–	(575,218)	–	–	(112,503)	(38,987)	(726,708)
Increase/(decrease) in investment properties	–	–	–	–	522,602	(1,172,124)	(649,522)
Increase/(decrease) in prepaid premium for land leases	–	575,218	–	–	(410,099)	(190,889)	(25,770)
Increase in available-for-sale financial assets	–	–	16,905	–	–	–	16,905
Decrease in completed properties held for sale	–	(44)	–	–	–	–	(44)
Increase in non-current assets held for sale	–	–	–	–	–	1,402,000	1,402,000
Decrease in profit for the period	(1,400)	(44)	–	–	–	–	(1,444)
Increase in employee share-based compensation reserve	1,400	–	–	–	–	–	1,400
Increase in investment revaluation reserve	–	–	16,905	–	–	–	16,905
Increase in opening balance of retained profits	–	–	–	8,315	–	–	8,315
At 31st December 2004							
Decrease in property, plant and equipment	–	(568,478)	–	–	–	–	(568,478)
Increase in prepaid premium for land leases	–	568,478	–	–	–	–	568,478

3. **Segment information**

Primary reporting format – business segments

	Six months ended 30th June 2005					
	Ship trading and supplying services	**Property development and investment**	**Building construction**	**Infrastructure investment**	**Other operations**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment turnover	831,229	96,446	18,585	–	748	947,008
Segment results	96,451	40,209	(4,363)	(577)	8,323	140,043
Fair value gains on investment properties and write-back of impairment loss on prepaid premium for land leases						300,441
Unallocated corporate expenses, net of income						(11,804)
Operating profit						428,680
Finance costs						(13,095)
Share of results of an associated company	3,760	–	–	–	–	3,760
Share of results of a jointly controlled entity	–	(7,969)	–	–	–	(7,969)
Profit before taxation						411,376
Taxation						(18,644)
Profit after taxation						392,732
Minority interests						(22,938)
Profit attributable to shareholders						369,794

	Six months ended 30th June 2004					
	Ship trading and supplying services	**Property development and investment**	**Building construction**	**Infrastructure investment**	**Other operations**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment turnover	472,597	154,683	270,944	7,610	556	906,390
Segment results	73,797	45,903	(15,102)	1,067	2,638	108,303
Unallocated corporate expenses, net of income						(11,837)
Operating profit						96,466
Finance costs						(6,082)
Share of results of a jointly controlled entity	–	3,132	–	–	–	3,132
Profit before taxation						93,516
Taxation						(24,773)
Profit after taxation						68,743
Minority interests						(25,446)
Profit attributable to shareholders						43,297

Secondary reporting format – geographical segments

	Segment turnover Six months ended 30th June		**Segment results Six months ended 30th June**	
	2005	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	292,130	308,761	376,791	9,117
China Mainland	654,878	597,629	63,693	99,186
	947,008	906,390	440,484	108,303
Unallocated corporate expenses, net of income			(11,804)	(11,837)
Operating profit			428,680	96,466

4. Operating profit

Operating profit is arrived at after crediting and charging the following:

	Six months ended 30th June 2005 HK$'000	2004 HK$'000
Crediting		
Net rental income	16,552	13,623
Net realised gain on available-for-sale financial assets/investments securities	5,018	12
Fair value gains on financial assets at fair value through profit or loss	50	–
Gain on disposal of fixed assets	3,497	212
Charging		
Depreciation, net of amounts capitalised in construction contracts in progress and properties under development for sale totalling HK$440,000 (2004: HK$204,000)	5,068	9,921
Amortisation of the cost of other investment in a joint venture	–	6,043
Amortisation of goodwill	–	1,304
Staff costs, net of amount capitalised in construction contracts in progress totalling HK$8,082,000 (2004: HK$9,669,000)	45,729	33,947
Pension costs	3,021	1,631
Write-down of inventories to net realisable value	–	2,146
Provision for doubtful debts	–	1,797

5. Finance costs

	Six months ended 30th June 2005 HK$'000	2004 HK$'000
Interest on bank loans wholly repayable within five years	16,165	6,363
Capitalised in construction contracts in progress	–	(281)
Capitalised in properties under development for sale	(3,070)	–
	13,095	6,082

6. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2004:17.5%) 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 the rates of taxation prevailing in China Mainland.

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

	Six months ended 30th June 2005 HK$'000	2004 HK$'000
The Company and subsidiaries:		
– Hong Kong profits tax	8,719	2,652
– China Mainland taxation	9,925	22,121
	18,644	24,773

7. Earnings per share

The calculation of basic and fully diluted earnings per share is based on the Group's profit attributable to shareholders of HK$369,794,000 (2004: HK$43,297,000). The basic earnings per share is based on the weighted average number of 1,415,797,092 (2004: 1,406,446,247) shares in issue during the period.

The fully diluted earnings per share for the six months ended 30th June 2005 was based on 1,431,052,065 shares which was the weighted average number of share in issue during the period plus the weighted average of 15,254,973 shares deemed to be issued at no consideration if all outstanding share options had been exercised.

8. Trade and other receivables

At 30th June 2005, trade and other receivables included trade receivables amounting to HK$556,123,000 (31st December 2004: HK$315,667,000). The ageing analysis of the trade receivables, net of provision for bad and doubtful debt is as follows:

	30th June 2005 HK$'000	31st December 2004 HK$'000
Current – 90 days	334,667	183,067
91 – 180 days	170,892	82,703
Over 180 days	50,564	49,897
	556,123	315,667

For building construction contracts, they are billed according to the progress of the contracts, while revenue from sales of properties and other operating revenues except for sales of coating products, spare parts and navigation equipment are billed according to the terms of the relevant contracts governing the transactions. All invoices billed are payable upon presentation of invoices.

For the sales of coating products, spare parts and navigation equipment, a majority of the sales are on credit terms from 30 days to 90 days.

9. **Trade and other payables**

At 30th June 2005, trade and other payables included a deposit received of HK$600,000,000 (2004: nil) in respect of the disposal of a wholly-owned subsidiary.

The balance also included trade payables amounting to HK$359,774,000 (31st December 2004: HK$265,291,000). The ageing analysis of the trade payables is as follows:

	30th June 2005	**31st December 2004**
	HK$'000	*HK$'000*
Current – 90 days	227,868	221,623
91 – 180 days	81,965	28,362
Over 180 days	49,941	15,306
	359,774	265,291

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK1 cent (2004: nil) per share for the six months ended 30th June 2005 totally HK$14,174,000 (2004: nil).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 24th October 2005 to 26th October 2005, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch registrar in Hong Kong, Abacus Share Registrars Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 21st October 2005. Dividend warrants will be dispatched on or about 2nd November 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30th June 2005, the Group achieved a turnover of HK$947,008,000, a 4% increase compared with the same period of last year despite the decrease of turnover in building construction, property development and infrastructure investment. The Group's turnover in the first six months increased as a result of the acquisition of 100% equity interest in COSCO (Hong Kong) Insurance Brokers Limited ("COSCO Insurance") in July 2004 and the acquisition of 100% equity interest in Yuantong Marine Service Company Limited ("Yuantong") in February 2005. Gross profit also increased by 26% to HK$243,876,000 was also mainly due to the acquired new business of COSCO Insurance and Yuantong.

The Group achieved an operating profit of HK$428,680,000, a 344% increase compared with the same period of last year. The substantial increase was mainly due to the surplus arising on revaluation of the properties at COSCO Tower of HK$299,841,000. Excluding the surplus, the Group achieved an operating profit of HK$128,839,000, a 34% increase compared with the same period of last year.

Profit attributable to shareholders for the period was HK$369,794,000, a 754% increase compared with the same period of last year.

Financial Resources And Liquidity

For the six months ended 30th June 2005, shareholders' funds of the Group increased by 32% to HK$1,480,109,000.

The net drawdown of loans from banks and other financial institution amounted to HK$57,060,000 (2004: HK$30,604,000) during the period. As at 30th June 2005, total credit facilities available to the Group amounted to HK$1,205,797,000 (31st December 2004: HK$1,222,999,000), of which HK$1,021,950,000 (31st December 2004: HK$964,890,000) was utilised. The increase in utilisation of credit facilities was mainly attributable to the drawdown of loans to finance the property development project in Shenyang and the payment of consideration for the purchase of Yuantong. The gearing ratio, which represents total loans over total assets, was approximately 24% (31st December 2004: 32%).

As at 30th June 2005, the Group's borrowings were denominated in Hong Kong dollars, United States dollars and Renminbi and carried at interest rates calculated with reference to Hong Kong Interbank Offered Rate, London Interbank Offered Rate and the Base Rate announced by the People's Bank of China respectively. During the period, the Group did not have any financial instruments for hedging purpose.

The maturity and currency profiles of the outstanding loans (excluding loan from a minority shareholder) as at 30th June 2005 are analysed as follows:

	30th June 2005		**31st December 2004**	
	HK$'000	*%*	*HK$'000*	*%*
Maturity profiles:				
Loans repayable				
– Within one year	686,068	67	122,619	13
– In the second year	155,701	15	12,825	1
– In the third to fifth year	180,181	18	829,446	86
	1,021,950	100	964,890	100
Secured	587,486	57	677,676	70
Unsecured	434,464	43	287,214	30
	1,021,950	100	964,890	100
Currency profiles:				
Hong Kong dollar	642,486	63	598,600	62
United States dollar	275,243	27	287,214	30
Renminbi	104,221	10	79,076	8
	1,021,950	100	964,890	100

As at 30th June 2005, properties in Hong Kong classified as non-current assets classified as held for sale of HK$1,402,000,000 (31st December 2004: investment properties in Hong Kong of HK$398,000,000 and other properties in Hong Kong of HK$706,291,000) were pledged as securities to a bank in respect of certain banking facilities granted to the Group.

Cash and bank balances amounted to HK$1,223,114,000 (31st December 2004: HK$562,870,000) as at 30th June 2005 and accounted for 33% (31st December 2004: 39%) of the current assets of the Group.

Contingencies

	30th June 2005	**31st December 2004**
	HK$'000	*HK$'000*
Performance bonds in respect of performance and completion of construction contracts	10,271	10,271
Guarantee and counter-indemnity to bank guarantees in respect of due performance of management and remedial cost of a property undertaken by the Group	43,000	43,000
Guarantees to mortgage loans in respect of a property development project *(Note)*	95,601	172,736

Note: The Group provides guarantees to the mortgage loans granted by certain banks to the buyers of a property development project in China Mainland. Pursuant to the terms of the guarantees, upon default in loan repayments by the buyers, the Group is responsible to repay the outstanding loan principals together with accrued interest and penalty owed by the defaulted buyers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The directors of the Company consider that in case of default, the net realisable value of the related properties can cover the repayment of outstanding loan principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements of the Group for the guarantees.

Employees

As at 30th June 2005, excluding associated companies and jointly controlled entities, the Group had 634 (31st December 2004: 664) employees of whom 127 (31st December 2004:137) employees are employed in Hong Kong. During the period, staff costs including directors' emoluments, net of amount capitalised in construction contract in progress of HK$8,082,000 (2004: HK$9,669,000) totalled to HK$45,729,000 (2004: HK$33,947,000). All the staff employed in Hong Kong participate in the Mandatory Provident Fund Scheme.

On 26th November 2003, the directors and employees of the Group were granted certain share options to subscribe for a total of 44,800,000 shares at a price of HK$0.57 per share. The share options are exercisable at any time from 23rd December 2003 to 22nd December 2008. On 2nd December 2004, the directors and employees of the Group were granted certain share options to subscribe for a total of 32,650,000 shares at a price of HK$1.37 per share. The share options are exercisable at any time from 29th December 2004 to 28th December 2014. On 10th May 2005, the employees of the Group were granted certain share options to subscribe for a total of 2,400,000 shares at a price of HK$1.21 per share. The share options are exercisable at any time from 6th June 2005 to 5th June 2015.

BUSINESS REVIEW

The global economy maintained a steady growth in the first half of 2005 and according to the latest releases by National Bureau of Statistics, China's economy continued to grow at a fast pace with a growth rate of 9.5% in terms of gross domestic product comparable with the same period of last year. China's exports and imports recorded USD645 billion, up 23.2% as compared with the same period of last year. The consumer price index surged by 2.3%, a slight decrease as compared with the first half of 2004. China's economy has a prosperous future due to its continued high economic growth and the relative low consumer price index level. COSCO International gained full support from its parent company, China Ocean Shipping (Group) Company ("COSCO") and its subsidiaries ("COSCO Group"). COSCO International further consolidated the foundation of ship trading and supplying services platform following the acquisitions of the marine equipment and spare parts, as well as marine coatings business projects during the period. This ensured that the Group is able to maintain a stable and healthy business development. In addition, the Group disposed of its non-core business assets during the period and hence improved its capital structure and its debt ratio, paving the way for sustainable development with additional cash reserve.

Ship Trading and Supplying Services

In the first half of 2005, the Group recorded a solid growth in the turnover and profit contribution from the segment of ship trading and supplying services. For the six months ended 30th June 2005, the revenue from the ship trading and supplying services was HK$831,229,000 (2004: HK$472,597,000), increased by 76% as compared with the corresponding period of last year and represented 88% of the total turnover of the Group; the contribution from the ship trading and supplying services was HK$96,451,000 (2004: HK$73,797,000), up 31% as compared with the same period of the previous year and accounted for 69% of the Group's total segment results in the first half of the year.

Ship Trading Services

Being the sole ship trading agent of the COSCO Group, COSCO International Ship Trading Company Limited ("COSCO Ship Trading") seized the business opportunity brought about by the increase in volume of new ship building and that trading of vessels with a total volume of 1,569,400 dead weight tonnages during the period, up 180% as compared with the corresponding period of last year.

Manufacturing and Sale of Coatings

The Group's coatings business, including container coatings, marine coatings and industrial anti-corrosion coatings, performed well during the period despite the price upsurge in raw materials and crude oil. The Group recorded a total sales of coatings products of about 58,680 tones during the period, increased by 40% as compared with the corresponding period of last year.

The Group completed the acquisition of 49% equity interest in Guangzhou Jotun Ocean Paint Co., Ltd. ("JOP") in February 2005. JOP is mainly engaged in the manufacturing and sale of marine coatings. To further expand marine coatings business in China, the Group joined hands with Jotun A/S, a famous international coatings manufacturer, to form a 50/50 joint venture namely Jotun COSCO Marine Coatings (HK) Limited ("Jotun COSCO") by signing a Shareholders' Agreement on 12th July 2005, which became effective from 1st September 2005. Jotun COSCO wholly-owns JOP as its manufacturing base and sales offices in Shanghai, Dalian, Chengdu and Hong Kong.

Marine Equipments, Spare Parts, Communications & Navigation Systems

Subsequent to the approval of the acquisition of the entire equity interest of Yuantong at the special general meeting held in February 2005, Yuantong became a wholly-owned subsidiary of the Group in May 2005. It is principally engaged in the supply of marine equipment and spare parts, marine communications and navigation equipment, as well as the provision of after-sale installation, testing and commissioning and repair services together with navigation supplies, medical supplies and chemicals supplies. Benefited from the thriving new building market, the demand for marine equipment and spare parts has been growing substantially. During the period under review, Yuantong achieved a remarkable performance with a total sales of HK$178,517,000.

Marine Insurance Brokerage Services

Being a marine insurance broker in the COSCO Group, COSCO Insurance continued to provide high quality brokerage services for COSCO fleets in the aspects of marine insurance, including protection and indemnity insurance as well as hull and machinery insurance during the period. It recorded a commission income of approximately HK$18,512,000, up 25% as compared with the corresponding period of last year. In addition, COSCO Insurance proactively expanded its market to non-COSCO customers and explored new business like the non-marine insurance. It made a good progress and achieved a satisfactory result. In the first half of the year, more than 20% of the total commission income was derived from the non-COSCO customers. This indicated an initial success of the Group's strategy to expand non-COSCO customers market.

Property Investment and Development

Hong Kong

Riding on the recovery of the property market in Hong Kong in the first half of the year and with a view to providing support. For the expansion of its core business, the Group endeavoured to reorganise its business structure and improve its capital structure. A sale and purchase agreement was signed to sell the eight floors of COSCO Tower, i.e. the 39th, 40th, 42nd, and 47th to 51st floors, to COSCO (Hong Kong) Group Limited ("COSCO Hong Kong") on 30th May 2005 for a total consideration of approximately HK$1.4 billion. The average selling price of the gross floor area was HK$8,120 per square foot. The transaction was completed on 3rd August 2005. The disposal of the said properties lowered the debt to total asset ratio considerably. Besides, the disposal brought to the Group a considerable sum of cash which enables the Company to finance its new investments in the near future.

In addition, the Group sold a shopping arcade together with 9 coach car parks located in Broadview Court, Shum Wan at the end of June 2005.

China Mainland
Affected by the macroeconomic control measures and new policies imposed on the real estate industry by the Central Government, the property market in the China Mainland slowed down in the first half of the year. The increase in the property prices in major cities in the China Mainland had been narrowed slightly in which Shanghai, Shenyang and Beijing recorded a relative smaller increase in its property selling prices as compared with the corresponding period of last year. During the period under review, the construction works and sale of the Group's mid-to-high end property project in Shenyang, COSCO Yihe Garden, had progressed well and some of the residential units were put on sale in April 2005. The total floor area of COSCO Yihe Garden sold was approximately 160,000 square meters representing about 132 residential units.

The Group's jointly controlled entity in Beijing, COSCO Real Estate Development Co., Ltd. ("CRED"), continued to undertake the construction and sale of property projects in the China Mainland. During the period under review, CRED boosted the sales of its existing five property projects comprising Ocean Paradise, Ocean Prospect, Ocean Landscape, Ocean Express and Ocean Seasons. The total floor area sold was about 200,000 square meters representing about 1,700 residential units.

Other Businesses
The Group's Henan Xinzhongyi Electric Power Co., Ltd. ("Henan XZY"), invested in two 20 MW coal-fired power plants in Henan Province. Owing to the upsurge in coal price, there was no profit contribution from the Henan XZY during the period.

The Group's wholly-owned subsidiary, Shun Shing Construction & Engineering Company Limited, continued to provide maintenance services during the period.

PROSPECTS

According to the estimate by United Nations, the world economy will maintain a steady growth rate of 3.25%. Riding on the appreciation of Renminbi and the adoption of a new exchange rate management mechanism by the People's Bank of China in July 2005, China will continue to be well poised to lead the world economic growth. It is predicted that shipping and its related industries will continue a gradual upward growth trend. Looking forward, the Group will continue to implement its corporate strategies, i.e. initiating new businesses through agency services, integrating resources and capabilities through network system and increasing profits through joint venture businesses. The Group is confident in achieving the establishment of a one-stop, standardised and professional supply platform of ship trading and supplying services, providing efficient and quality services for all our customers and to become a competitive, professional and unique ship trading and supplying services provider worldwide.

To further develop its core business, the Group will continue to expand the customers' base and explore new market in the ship trading services and marine insurance brokerage services businesses. In the marine equipment and spare parts business, the Group will enhance the agency services of imported accessories and equipment, delivery and collection, technology and logistics support, providing high quality, efficient and all-round services for all customers including ship owners and dockyards.

In the coatings business, the Group will strive to implement specialisation in different coatings products and build a pan-regional manufacturing and sales of coatings business platform with operations in the northern, eastern and southern China. Shanghai COSCO Kansai Paint & Chemicals Co., Ltd. and Tianjin COSCO Kansai Paint & Chemicals Co., Ltd. will specialize in the manufacture and sales of container coatings and industrial anti-corrosion coatings while Jotun COSCO will focus on the manufacture and sales of marine coatings in China. Capitalising on the tremendous resources and huge market potential of the COSCO Group and coupled with the competence and advanced technology of our business partners, we are confident that the Group will become a first class coatings manufacturer and supplier in China, generating higher profitability for shareholders.

CORPORATE GOVERNANCE

The Board believes that high standards, appropriate and rigorous corporate governance practices are essential for the Company to enhance its accountability and transparency, and achieve a balance of interests among the public and those of its stakeholders, inter alia, shareholders, customers, employees, creditors, and investment partners. In this connection, the corporate governance practices of the Company are published on its website so that stakeholders are aware of the standards which they can expect from the Company and keep the Company informed of these standards, and the manner in which the Company conducts itself in practice, meet with their expectations.

The Audit Committee consists of three independent non-executive directors. The Audit Committee is chaired by an independent non-executive director who is a certified public accountant. The Audit Committee reviews important accounting policies and supervises the Company's financial reporting process; monitors the performance of both the internal and external auditors; reviews and examines the effectiveness of the Company's financial reporting procedures and internal controls; ensures compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, and internal rules and procedures approved by the Board. The Audit Committee has discussed the internal controls and financial reporting matters with management and reviewed the condensed interim financial statements of the Group for the six months ended 30th June 2005.

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 contained in Appendix 10 to the Listing Rules. To ensure directors' dealing in the securities of the Company is conducted in accordance with the Securities Code, a committee (the "Committee") comprising the Chairman, the Vice-chairman, the Managing Director and Deputy Managing Directors was set up to deal with such transactions. Prior to any dealing in the securities of the Company, a director is required to notify the Chairman or the Vice-chairman in writing and obtain a written acknowledgement from the Committee. The Company has made specific enquiry of all directors regarding any non-compliance with the Securities Code during the six months ended 30th June 2005 and all directors confirm that they have fully complied with the required standard set out in the Securities Code during the period.

The Board acknowledges its ultimate responsibility for setting up a robust internal control system for the Group to safeguard the shareholders' investment and the assets of the Group. According to the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules (the "CG Code"), the Board will annually conduct review of the effectiveness of the Company's system of internal control.

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in full compliance with the code provisions set out in the CG Code during the six months ended 30th June 2005.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30th June 2005, the Company had not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares.

BOARD OF DIRECTORS

As at the date hereof, the Board comprises fourteen directors of which Mr. Wei Jiafu (Chairman), Mr. Liu Guoyuan (Vice-chairman), Mr. Li Jianhong, Mr. Zhou Liancheng, Mr. Liu Hanbo (Managing Director), Mr. He Jiale, Mr. Guo Huawei, Mr. Chen Pisen, Mr. Meng Qinghui, Mr. Zhao Kaiji and Mr. Lin Libing as executive directors; and Mr. Chan Cheong Foon, Andrew, Mr. Kwong Che Keung, Gordon and Mr. Tsui Yiu Wa, Alec as independent non-executive directors.

By Order of the Board
LIU Hanbo
Managing Director

Hong Kong, 22nd September 2005

Remarks:
This results announcement published on the websites of the Company (http://www.coscointl.com) and the Stock Exchange's website (http://www.hkex.com.hk). The Company's 2005 interim report will be dispatched to the shareholders and available on the same websites on or about 29th September 2005.

"Please also refer to the published version of this announcement in The Standard."