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中遠國際控股有限公司^{*}

COSCO International Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 00517)

2015 INTERIM RESULTS

RESULTS AND OPERATION HIGHLIGHTS

- Profit attributable to equity holders increased by 5% to HK\$200,300,000 as compared to the same period of 2014.
- Revenue decreased by 36% to HK\$3,028,483,000 as compared to the same period of 2014 mainly due to the decrease in segment revenue of marine fuel and other products.
- Gross profit decreased by 13% to HK\$368,607,000 as compared to the same period of 2014 mainly due to decrease in ship trading agency commission income. Gross profit margin rose to 12% from 9% as a result of the reduction of business volume of marine fuel and other products with relatively low profit margin.
- Basic earnings per share was 13.07 HK cents, increased by 4% as compared to the same period of 2014.
- The Board has declared an interim dividend of 7 HK cents per share, representing an interim dividend payout ratio of 54%.
- The Group had net cash of HK\$6,060,884,000 as at 30th June 2015 for the expansion of existing businesses and the support of future strategic development.
- Looking ahead, the Group will continue to develop with the vision of establishing itself as a “global leading one-stop shipping services provider” by means of further promoting the construction of the integrated shipping services platform. The Group will endeavour to pursue in four areas, expansion and reinforcement of existing businesses to enhance profitability, optimisation of asset structure to facilitate upgrading of business, expansion of industry value chain of existing business to maintain sustainable competitive edges of the platform and development of new business segments to make great strides in its development.

The board of directors (the “Board” or the “Director(s)”) of COSCO International Holdings Limited (the “Company” or “COSCO International”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30th June 2015. The unaudited condensed consolidated results have been reviewed by the audit committee of the Company (the “Audit Committee”).

The Group’s unaudited condensed consolidated income statement, unaudited condensed consolidated statement of comprehensive income, unaudited condensed consolidated balance sheet and explanatory notes 1 to 14 as presented below are extracted from the Group’s unaudited condensed consolidated interim financial information for the six months ended 30th June 2015 (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 2015

		Unaudited	
		Six months ended 30th June	
		2015	2014
	Note	HK\$'000	HK\$'000
Revenue	3	3,028,483	4,740,304
Cost of sales		<u>(2,659,876)</u>	<u>(4,316,499)</u>
Gross profit		368,607	423,805
Other income and gains	4	49,894	17,340
Selling, administrative and general expenses		<u>(275,447)</u>	<u>(264,216)</u>
Other expenses and losses	5	<u>(8,144)</u>	<u>(25,977)</u>
Operating profit	6	134,910	150,952
Finance income	7	67,599	67,813
Finance costs	7	(2,098)	(1,398)
Finance income — net	7	65,501	66,415
Share of profits of joint ventures		47,746	23,928
Share of profits of associates		<u>5,597</u>	<u>7,839</u>
Profit before income tax		253,754	249,134
Income tax expenses	8	<u>(40,206)</u>	<u>(40,215)</u>
Profit for the period		<u>213,548</u>	<u>208,919</u>
Profit attributable to:			
Equity holders of the Company		200,300	190,300
Non-controlling interests		<u>13,248</u>	<u>18,619</u>
		<u>213,548</u>	<u>208,919</u>
Earnings per share attributable to equity holders of the Company during the period			
— basic, HK cents	9(a)	13.07	12.57
— diluted, HK cents	9(b)	<u>12.95</u>	<u>12.45</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June 2015

	Unaudited	
	Six months ended 30th June	
	2015	2014
	HK\$'000	HK\$'000
Profit for the period	213,548	208,919
Other comprehensive income/(losses)		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	(1,335)	(12,469)
Share of currency translation differences of a joint venture arising during the period	91	4,282
Reclassification adjustment for a gain included in profit or loss	—	(14,345)
	91	(10,063)
Fair value gains/(losses) on available-for-sale financial assets, net	6,939	(194)
Share of cash flow hedges of an associate, net of tax	28,321	—
Other comprehensive income/(losses) for the period	34,016	(22,726)
Total comprehensive income for the period	247,564	186,193
Total comprehensive income attributable to:		
Equity holders of the Company	234,137	170,661
Non-controlling interests	13,427	15,532
	247,564	186,193

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2015

	Note	Unaudited 30th June 2015 HK\$'000	Audited 31st December 2014 HK\$'000
ASSETS			
Non-current assets			
Intangible assets		104,871	105,478
Property, plant and equipment		296,325	262,181
Prepaid premium for land leases		35,473	35,100
Investment properties		44,836	44,847
Investments in joint ventures		478,937	493,107
Investments in associates		116,409	82,520
Available-for-sale financial assets		72,382	70,524
Deferred income tax assets		62,436	69,445
Non-current deposits	11	25,358	25,348
		<u>1,237,027</u>	<u>1,188,550</u>
Current assets			
Completed properties held for sale		192	192
Inventories		383,137	369,198
Trade and other receivables	12	1,932,928	1,960,207
Available-for-sale financial assets		34,051	28,970
Financial assets at fair value through profit or loss		1,194	1,086
Current income tax recoverable		4,020	8,682
Restricted bank deposits		648	14,120
Current deposits and cash and cash equivalents		6,054,257	6,094,329
		<u>8,410,427</u>	<u>8,476,784</u>
Total assets		<u>9,647,454</u>	<u>9,665,334</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		153,296	153,181
Reserves		7,560,666	7,432,675
Proposed dividend		—	153,181
Interim dividend declared	10	107,307	—
		<u>7,821,269</u>	<u>7,739,037</u>
Non-controlling interests		<u>382,878</u>	<u>369,451</u>
Total equity		<u>8,204,147</u>	<u>8,108,488</u>
LIABILITIES			
Non-current liability			
Deferred income tax liabilities		41,815	39,027
Current liabilities			
Trade and other payables	13	1,361,089	1,470,613
Current income tax liabilities		21,024	21,145
Short-term borrowings		19,379	26,061
		<u>1,401,492</u>	<u>1,517,819</u>
Total liabilities		<u>1,443,307</u>	<u>1,556,846</u>
Total equity and liabilities		<u>9,647,454</u>	<u>9,665,334</u>
Net current assets		<u>7,008,935</u>	<u>6,958,965</u>
Total assets less current liabilities		<u>8,245,962</u>	<u>8,147,515</u>

Notes:

1 GENERAL INFORMATION

The Group is principally engaged in the provision of shipping services and general trading.

The Company is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of its principal place of business is 47th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong.

The ultimate holding company of the Company is 中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company*) ("COSCO"), a state-owned enterprise established in the People's Republic of China (the "PRC").

This Unaudited Condensed Consolidated Interim Financial Information is presented in Hong Kong dollars, unless otherwise stated.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This Unaudited Condensed Consolidated Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

This Unaudited Condensed Consolidated Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31st December 2014, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

The accounting policies and methods used in the preparation of the Unaudited Condensed Consolidated Interim Financial Information are consistent with those set out in the annual financial statements for the year ended 31st December 2014 except that the Group has adopted the following amendments to published standards and interpretation issued by the HKICPA, which are relevant to its operations and are effective for accounting periods beginning on or after 1st January 2015.

		Effective for accounting periods beginning on or after
HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle	1st July 2014
HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle	1st July 2014

The adoption of the above amendments and interpretation did not result in any substantial changes to the Group's accounting policies and had no material financial impact on the Unaudited Condensed Consolidated Interim Financial Information.

The following new standards and amendments to existing standards have been published by the HKICPA and are relevant to the Group's operations. They are not yet effective for accounting periods beginning on 1st January 2015 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendment to HKAS 1	Presentation of financial statements	1st January 2016
Amendment to HKAS 27	Equity method in separate financial statements	1st January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1st January 2016
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	1st January 2016
HKFRS 9 (2014)	Financial Instruments	1st January 2018
HKFRS 11	Accounting for Acquisition of Interests in Joint Operations	1st January 2016
HKFRS 15	Revenue from Contracts with Customers	1st January 2017
HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle	1st January 2016

The Group has already commenced an assessment of the related impact of adopting the above new standards and amendments to published standards, but it is not yet in a position to state whether they will have a significant impact on its result of operations and financial position.

3 REVENUE AND SEGMENT INFORMATION

Turnover, representing revenue, recognised during the period is as follows:

	Six months ended 30th June	
	2015	2014
	HK\$'000	HK\$'000
Sale of coatings	671,085	661,222
Sale of marine equipment and spare parts	539,840	524,989
Commission income from ship trading agency	43,619	90,796
Commission income from insurance brokerage	46,050	45,070
Sale of marine fuel and other products	1,411,618	3,068,932
Sale of asphalt and other products	316,271	349,295
	<u>3,028,483</u>	<u>4,740,304</u>

The chief operating decision-maker has been identified as the executive directors. The executive directors review the Group's internal reports in order to make decisions about resources to be allocated to the segment and assess its performance. The management considers the business from a product perspective and has identified the following reportable segments on the basis of these reports:

Reportable segments	Business activities
Coatings	production and sale of coatings, and holding of investment in a joint venture, Jotun COSCO Marine Coatings (HK) Limited ("Jotun COSCO")
Marine equipment and spare parts	trading of marine equipment and spare parts, and holding of investments in joint ventures
Ship trading agency	provision of agency services relating to shipbuilding, ship trading and bareboat charter business, and holding of investments in a joint venture and an associate
Insurance brokerage	provision of insurance brokerage services
Marine fuel and other products	trading of marine fuel and other related products, and holding of investment in an associate, Double Rich Limited ("Double Rich")
General trading	trading of asphalt and other products, and holding of investments in associates

All other segments mainly comprise the Group's listed available-for-sale financial assets and financial assets at fair value through profit or loss.

The management assesses the performance of the operating segments based on a measure of profit before income tax.

	Shipping services									Total HK\$'000
	Marine equipment and spare parts		Ship trading agency	Insurance brokerage	Marine fuel and other products	Total HK\$'000	General trading	All other segments	Inter- segment elimination	
	Coatings HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		HK\$'000	HK\$'000	HK\$'000	
Six months ended and as at 30th June 2015										
Profit and loss items:										
Segment revenue	671,085	539,844	43,619	46,241	1,490,849	2,791,638	316,390	—	(79,545)	3,028,483
Inter-segment revenue	—	(4)	—	(191)	(79,231)	(79,426)	(119)	—	79,545	—
Revenue from external customers	<u>671,085</u>	<u>539,840</u>	<u>43,619</u>	<u>46,050</u>	<u>1,411,618</u>	<u>2,712,212</u>	<u>316,271</u>	<u>—</u>	<u>—</u>	<u>3,028,483</u>
Segment operating profit	35,466	32,763	26,978	33,502	5,921	134,630	32,802	2,712	—	170,144
Finance income	4,108	379	3,984	646	75	9,192	630	—	—	9,822
Finance costs	(135)	(1,004)	(9)	(81)	(2,635)	(3,864)	(4,463)	—	—	(8,327)
Share of profits/(losses) of joint ventures	48,345	(778)	179	—	—	47,746	—	—	—	47,746
Share of profits of associates	—	—	37	—	4,739	4,776	821	—	—	5,597
Segment profit before income tax	87,784	31,360	31,169	34,067	8,100	192,480	29,790	2,712	—	224,982
Income tax expenses	(10,552)	(5,799)	(7,985)	(5,953)	(571)	(30,860)	(7,242)	—	—	(38,102)
Segment profit after income tax	<u>77,232</u>	<u>25,561</u>	<u>23,184</u>	<u>28,114</u>	<u>7,529</u>	<u>161,620</u>	<u>22,548</u>	<u>2,712</u>	<u>—</u>	<u>186,880</u>
Balance sheet items:										
Total segment assets	2,025,362	951,380	345,244	287,755	535,458	4,145,199	915,049	105,867	(225,809)	4,940,306
Total segment assets include:										
— Joint ventures	463,668	11,851	3,418	—	—	478,937	—	—	—	478,937
— Associates	—	—	2,128	—	106,413	108,541	7,868	—	—	116,409
Total segment liabilities	<u>563,528</u>	<u>559,371</u>	<u>42,668</u>	<u>152,612</u>	<u>310,976</u>	<u>1,629,155</u>	<u>667,835</u>	<u>—</u>	<u>(225,809)</u>	<u>2,071,181</u>
Other items:										
Depreciation and amortisation, net of amount capitalised	6,167	1,186	135	28	—	7,516	620	—	—	8,136
Provision for impairment of inventories, net of reversal	2,524	—	—	—	—	2,524	—	—	—	2,524
Provision for impairment of trade receivables, net of reversal	4,878	—	—	—	—	4,878	—	—	—	4,878
Reversal of provision for impairment of other receivables	—	—	—	—	—	—	18,979	—	—	18,979
Government subsidy income	23,330	—	—	—	—	23,330	—	—	—	23,330
Additions to non-current assets (other than available-for-sale financial assets and deferred income tax assets)	<u>45,389</u>	<u>864</u>	<u>14</u>	<u>—</u>	<u>—</u>	<u>46,267</u>	<u>78</u>	<u>—</u>	<u>—</u>	<u>46,345</u>
Year ended and as at 31st December 2014										
Total segment assets	2,123,809	895,978	335,724	173,154	591,254	4,119,919	926,391	98,821	(240,858)	4,904,273
Total segment assets include:										
— Joint ventures	477,244	12,626	3,237	—	—	493,107	—	—	—	493,107
— Associates	—	—	2,091	—	73,387	75,478	7,042	—	—	82,520
Total segment liabilities	677,751	525,575	54,518	64,245	402,532	1,724,621	701,863	—	(240,858)	2,185,626
Additions to non-current assets (other than available-for-sale financial assets and deferred income tax assets)	<u>136,542</u>	<u>6,805</u>	<u>199</u>	<u>128</u>	<u>—</u>	<u>143,674</u>	<u>2,017</u>	<u>—</u>	<u>—</u>	<u>145,691</u>

Shipping services										
	Coatings HK\$'000	Marine equipment and spare parts HK\$'000	Ship trading agency HK\$'000	Insurance brokerage HK\$'000	Marine fuel and other products HK\$'000	Total HK\$'000	General trading HK\$'000	All other segments HK\$'000	Inter- segment elimination HK\$'000	Total HK\$'000
Six months ended and as at 30th June 2014										
Profit and loss items:										
Segment revenue	661,222	524,989	90,796	45,190	3,259,972	4,582,169	349,295	—	(191,160)	4,740,304
Inter-segment revenue	—	—	—	(120)	(191,040)	(191,160)	—	—	191,160	—
Revenue from external customers	<u>661,222</u>	<u>524,989</u>	<u>90,796</u>	<u>45,070</u>	<u>3,068,932</u>	<u>4,391,009</u>	<u>349,295</u>	<u>—</u>	<u>—</u>	<u>4,740,304</u>
Segment operating profit/(loss)	52,903	26,059	65,946	31,696	6,035	182,639	(2,867)	2,144	—	181,916
Finance income	5,303	921	3,338	686	134	10,382	1,398	—	—	11,780
Finance costs	(170)	(891)	(13)	(86)	(2,796)	(3,956)	(3,679)	—	—	(7,635)
Share of profits/(losses) of joint ventures	24,421*	(642)	149	—	—	23,928	—	—	—	23,928
Share of profits of associates	—	—	12	—	7,541	7,553	286	—	—	7,839
Segment profit/(loss) before income tax	82,457	25,447	69,432	32,296	10,914	220,546	(4,862)	2,144	—	217,828
Income tax (expenses)/credit	(12,655)	(5,410)	(15,134)	(5,674)	(573)	(39,446)	1,287	—	—	(38,159)
Segment profit/(loss) after income tax	<u>69,802</u>	<u>20,037</u>	<u>54,298</u>	<u>26,622</u>	<u>10,341</u>	<u>181,100</u>	<u>(3,575)</u>	<u>2,144</u>	<u>—</u>	<u>179,669</u>
Balance sheet items:										
Total segment assets	1,978,489	836,451	431,176	303,261	781,958	4,331,335	894,508	82,957	(234,941)	5,073,859
Total segment assets include:										
— Joint ventures	431,360	11,779	3,018	—	—	446,157	—	—	—	446,157
— Associates	—	—	2,089	—	90,668	92,757	6,934	—	—	99,691
Total segment liabilities	<u>625,453</u>	<u>476,494</u>	<u>113,581</u>	<u>172,226</u>	<u>576,600</u>	<u>1,964,354</u>	<u>676,177</u>	<u>—</u>	<u>(234,941)</u>	<u>2,405,590</u>
Other items:										
Depreciation and amortisation, net of amount capitalised	10,355	719	142	31	—	11,247	568	—	—	11,815
Provision for impairment of inventories, net of reversal	1,519	—	—	—	—	1,519	—	—	—	1,519
Reversal of provision for impairment of trade receivables, net of provision	11,930	—	—	—	—	11,930	—	—	—	11,930
Provision for impairment of other receivables	—	—	—	—	—	—	18,960	—	—	18,960
Additions to non-current assets (other than available-for-sale financial assets and deferred income tax assets)	<u>78,904</u>	<u>151</u>	<u>39</u>	<u>128</u>	<u>—</u>	<u>79,222</u>	<u>47</u>	<u>—</u>	<u>—</u>	<u>79,269</u>

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

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

	Six months ended 30th June	
	2015	2014
	HK\$'000	HK\$'000
Profit before income tax for reportable segments	222,270	215,684
Profit before income tax for all other segments	<u>2,712</u>	<u>2,144</u>
Profit before income tax for all segments	224,982	217,828
Elimination of segment income from corporate headquarters	(68)	(58)
Elimination of segment finance costs to corporate headquarters	6,241	6,248
Corporate finance income	57,777	56,033
Corporate finance costs	(12)	(11)
Corporate expenses, net of income	<u>(35,166)</u>	<u>(30,906)</u>
Profit before income tax for the Group	253,754	249,134
Income tax expenses for all segments	(38,102)	(38,159)
Corporate income tax expenses	<u>(2,104)</u>	<u>(2,056)</u>
Profit after income tax for the Group	<u>213,548</u>	<u>208,919</u>

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

	30th June	31st December	30th June
	2015	2014	2014
	HK\$'000	HK\$'000	HK\$'000
Total assets for reportable segments	5,060,248	5,046,310	5,225,843
Total assets for all other segments	105,867	98,821	82,957
Elimination of inter-segment receivables	<u>(225,809)</u>	<u>(240,858)</u>	<u>(234,941)</u>
	4,940,306	4,904,273	5,073,859
Corporate assets (mainly deposits and cash and cash equivalents)	5,373,575	5,427,745	5,306,319
Elimination of corporate headquarters' receivables from segments	<u>(666,427)</u>	<u>(666,684)</u>	<u>(669,233)</u>
Total assets for the Group	<u>9,647,454</u>	<u>9,665,334</u>	<u>9,710,945</u>

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

	30th June 2015 HK\$'000	31st December 2014 HK\$'000	30th June 2014 HK\$'000
Total liabilities for reportable segments	2,296,990	2,426,484	2,640,531
Elimination of inter-segment payables	<u>(225,809)</u>	<u>(240,858)</u>	<u>(234,941)</u>
	2,071,181	2,185,626	2,405,590
Corporate liabilities	38,553	37,904	30,483
Elimination of segment payables to corporate headquarters	<u>(666,427)</u>	<u>(666,684)</u>	<u>(669,233)</u>
Total liabilities for the Group	<u>1,443,307</u>	<u>1,556,846</u>	<u>1,766,840</u>

4 OTHER INCOME AND GAINS

	Six months ended 30th June	
	2015	2014
	HK\$'000	HK\$'000
Gain on disposal of property, plant and equipment	156	132
Rental income	912	821
Reversal of provision for impairment of other receivables	18,979	—
Reversal of provision for impairment of trade receivables, net of provision	—	11,930
Dividend income from listed investments	2,604	2,344
Fair value gains on financial assets at fair value through profit or loss	108	—
Government subsidy income [#]	23,330	—
Others	<u>3,805</u>	<u>2,113</u>
	<u>49,894</u>	<u>17,340</u>

[#] Government subsidy income of HK\$23,330,000 (2014: Nil) was recognised during the period in respect of a special subsidy granted by the Shanghai Municipal Government. Such subsidy was to compensate for the relevant costs and expenses incurred by 中遠關西塗料化工(上海)有限公司 (COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd.*) ("COSCO Kansai (Shanghai)") in relocating the existing production plant and settling the impacted staff.

5 OTHER EXPENSES AND LOSSES

	Six months ended 30th June	
	2015	2014
	HK\$'000	HK\$'000
Direct operating expenses for generating rental income	47	31
Provision for impairment of inventories, net of reversal	2,524	1,519
Provision for impairment of trade receivables, net of reversal	4,878	—
Provision for impairment of other receivables	—	18,960
Fair value losses on financial assets at fair value through profit or loss	—	200
Net exchange losses	<u>695</u>	<u>5,267</u>
	<u>8,144</u>	<u>25,977</u>

6 OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30th June	
	2015	2014
	HK\$'000	HK\$'000
Depreciation and amortisation, net of amount capitalised in inventories totalling HK\$914,000 (2014: HK\$976,000)	<u>8,325</u>	<u>11,956</u>

7 FINANCE INCOME — NET

	Six months ended 30th June	
	2015	2014
	HK\$'000	HK\$'000
Interest income from:		
— a fellow subsidiary	8,649	5,679
— a joint venture	—	234
— bank deposits	<u>58,950</u>	<u>61,900</u>
Total finance income	<u>67,599</u>	67,813
Interest expenses on bank loans wholly repayable within five years	(980)	(193)
Other finance charges	<u>(1,118)</u>	<u>(1,205)</u>
Total finance costs	<u>(2,098)</u>	<u>(1,398)</u>
Finance income — net	<u>65,501</u>	<u>66,415</u>

8 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profit for the period.

The PRC income tax has been calculated on the estimated assessable profit derived from the Group's operations in the PRC for the period at 25% (2014: 25%) except for a subsidiary, which was taxed at a reduced rate of 15% (2014: 15%) based on different local preferential policies on income tax and approval by relevant tax authorities.

Other overseas taxation has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates. These rates range from 17% to 43% (2014: 17% to 43%) during the period.

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

The amount of income tax charged for the period to the condensed consolidated income statement is as follows:

	Six months ended 30th June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax		
— Hong Kong profits tax	7,952	11,587
— the PRC enterprise income tax	18,624	25,730
— other overseas taxation	2,834	3,407
— under-provision for the PRC taxation in prior period	875	21
Deferred income tax charge/(credit), net	<u>9,921</u>	<u>(530)</u>
Income tax expenses	<u>40,206</u>	<u>40,215</u>

9 EARNINGS PER SHARE

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

	Six months ended 30th June	
	2015	2014
Profit attributable to equity holders of the Company	HK\$200,300,000	HK\$190,300,000
Weighted average number of ordinary shares in issue	1,532,027,528	1,513,815,462
Basic earnings per share	<u>13.07 HK cents</u>	<u>12.57 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.

	Six months ended 30th June	
	2015	2014
Profit attributable to equity holders of the Company	HK\$200,300,000	HK\$190,300,000
Adjusted weighted average number of ordinary shares in issue	1,546,326,810	1,528,418,797
Diluted earnings per share	<u>12.95 HK cents</u>	<u>12.45 HK cents</u>

10 DIVIDEND

	Six months ended 30th June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend, declared, of HK\$0.07 (2014: HK\$0.03) per ordinary share	<u>107,307</u>	<u>45,416</u>

At the board meeting held on 19th August 2015, the directors of the Company declared an interim dividend of HK\$0.07 per ordinary share for the six months ended 30th June 2015. This dividend has not been recognised as a liability in the Unaudited Condensed Consolidated Interim Financial Information, but will be recognised in shareholders' equity in the year ending 31st December 2015.

A dividend of HK\$153,296,000 relating to the year ended 31st December 2014 (2013: HK\$52,985,000) was paid in June 2015.

11 NON-CURRENT DEPOSITS

These deposits, which were denominated in Renminbi and interest-bearing at prevailing market rates, were placed with a fellow subsidiary, which is a financial institution in the PRC.

12 TRADE AND OTHER RECEIVABLES

	30th June 2015 <i>HK\$'000</i>	31st December 2014 <i>HK\$'000</i>
Trade receivables, net of provision for impairment	1,117,386	942,612
Bills receivables, prepayments, deposits, other receivables and amounts due from related parties, net of provision for impairment	<u>815,542</u>	<u>1,017,595</u>
	<u>1,932,928</u>	<u>1,960,207</u>

The ageing analysis of trade receivables (including amounts due from related parties which are trading in nature) based on invoice date and after provision for impairment is as follows:

	30th June 2015 <i>HK\$'000</i>	31st December 2014 <i>HK\$'000</i>
Current — 90 days	769,643	762,909
91 — 180 days	247,009	123,753
Over 180 days	<u>100,734</u>	<u>55,950</u>
	<u>1,117,386</u>	<u>942,612</u>

For sale of coatings, marine equipment, spare parts, marine fuel, asphalt and other products, the majority of sales are on credit terms from 30 days to 90 days. Other than those with credit terms, all invoices are payable upon presentation.

13 TRADE AND OTHER PAYABLES

	30th June 2015 <i>HK\$'000</i>	31st December 2014 <i>HK\$'000</i>
Trade payables	369,146	446,804
Bills payables, advances from customers, accrued liabilities, other payables, amounts due to related parties and dividend payable to non-controlling interests	<u>991,943</u>	<u>1,023,809</u>
	<u>1,361,089</u>	<u>1,470,613</u>

The ageing analysis of trade payables (including amounts due to related parties which are trading in nature) based on invoice date is as follows:

	30th June	31st December
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current — 90 days	306,463	405,554
91 — 180 days	36,461	21,992
Over 180 days	<u>26,222</u>	<u>19,258</u>
	<u>369,146</u>	<u>446,804</u>

14 FINANCIAL GUARANTEE CONTRACTS

As at 30th June 2015, the Group had financial guarantees issued in favour of banks as security for general banking facilities granted to an associate and a joint venture, and financial guarantee issued in favour of the shareholder of a joint venture as counter guarantee in relation to general banking facilities granted to the joint venture.

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

		30th June	31st December
		2015	2014
	Year of maturity	<i>HK\$'000</i>	<i>HK\$'000</i>
General banking facilities of:			
— a joint venture	2016	38,757	38,776
— an associate	2016	205,413	205,511
Counter guarantee	2016	<u>22,479</u>	<u>22,490</u>
		<u>266,649</u>	<u>266,777</u>

As at 30th June 2015, the credit risk and liquidity risk exposure relating to the above financial guarantee contracts are considered as low.

The fair value of these guarantee contracts is not material and has not been recognised in the financial statements.

FINANCIAL REVIEW

During the first half of 2015, the oversupply situation of international shipping industry remained with transactions of new build vessel market relatively slowed down. Volume of old aged vessels scrapped declined as compared to the same period of 2014. Downward pressure on vessel prices has been growing. Facing all these unfavourable and uncertain factors, the Group on one hand reduced part of the marine fuel and other products business of relatively high risk, and on the other hand actively developed its existing businesses and achieved satisfactory results. Despite a decline in the Group's revenue, overall profit for the first half of 2015 recorded a mild increase over the same period of 2014. This was mainly due to (i) the decline in the Group's revenue mainly represented the business volume of marine fuel and other products with lower profit margin and its impact on the overall gross profit was limited; (ii) the reversal of provision for impairment of other receivables of the general trading segment; (iii) the recognition of Government subsidy income in respect of a specific subsidy granted by the Shanghai Municipal Government to compensate for the relevant costs and expenses incurred by COSCO Kansai (Shanghai) in relocating the plant and settling the impacted staff; and (iv) the increase in profit contribution from Jotun COSCO. Profit attributable to equity holders of the Company for the period was HK\$200,300,000 (2014: HK\$190,300,000), representing an increase of 5% as compared to the same period of 2014. Basic earnings per share was 13.07 HK cents (2014: 12.57 HK cents), increased by 4% as compared to the same period of 2014.

Revenue

For the six months ended 30th June 2015, the Group's revenue decreased by 36% to HK\$3,028,483,000 (2014: HK\$4,740,304,000) as compared with the same period of 2014. Segment revenues of ship trading agency and marine fuel and other products decreased by 52% and 54% respectively over the same period of 2014. Segment revenues of coatings, marine equipment and spare parts, and insurance brokerage recorded increases of 1%, 3% and 2% respectively over the same period of 2014. Accordingly, revenue from the core shipping service business declined by 38% to HK\$2,712,212,000 (2014: HK\$4,391,009,000) and accounted for 90% (2014: 93%) of the Group's revenue. Revenue of general trading segment decreased by 9% to HK\$316,271,000 (2014: HK\$349,295,000) and accounted for 10% (2014: 7%) of the Group's revenue.

Gross Profit and Gross Profit Margin

The Group's gross profit for the period decreased by 13% to HK\$368,607,000 (2014: HK\$423,805,000) while overall average gross profit margin rose to 12% (2014: 9%). The decrease in overall gross profit was mainly attributable to the decline in ship trading agency commission income. On the other hand, the Group reduced the business volume of marine fuel and other products with relatively low profit margin to adjust its sales mix. Such adjustment helped improve the overall average gross profit margin and avoided excessive operational risks.

Other Income and Gains

Other income and gains of HK\$49,894,000 (2014: HK\$17,340,000) for the period primarily included reversal of provision for impairment of other receivables of HK\$18,979,000 and government subsidy income of HK\$23,330,000 recognised in respect of a specific subsidy granted by the Shanghai Municipal Government. Such subsidy was a compensation for the relevant costs and expenses incurred by COSCO Kansai (Shanghai) in relocating the plant and settling the impacted staff. Other income and gains for the same period of 2014 primarily included reversal of provision for impairment of trade receivables (net of provision) of HK\$11,930,000.

Selling, Administrative and General Expenses

During the period, selling, administrative and general expenses increased by 4% to HK\$275,447,000 (2014: HK\$264,216,000). Such increase was mainly attributable to increase in salaries and wages. In addition, increase in selling expenses as compared to the same period of 2014 was driven by the increase in sales volume of coatings and the additional transportation costs borne by COSCO Kansai (Shanghai) in the course of plant relocation.

Other Expenses and Losses

The Group recorded other expenses and losses of HK\$8,144,000 (2014: HK\$25,977,000). Other expenses and losses primarily included provision for impairment of inventories (net of reversal) of HK\$2,524,000 (2014: HK\$1,519,000), provision for impairment of trade receivables (net of reversal) of HK\$4,878,000 and net exchange losses of HK\$695,000 (2014: HK\$5,267,000). Other expenses and losses for the same period of 2014 also included provision for impairment of other receivables of HK\$18,960,000.

Finance Income

Finance income, which represented primarily interest income on the Group's bank deposits, decreased by 0.3% to HK\$67,599,000 (2014: HK\$67,813,000) as a result of the decrease in overall deposit balance since the end of 2014.

Finance Costs

Finance costs, which mainly represented interest expenses on bank loans and other finance charges, increased by 50% to HK\$2,098,000 (2014: HK\$1,398,000). The increase in finance costs was mainly attributable to the increase in the average level of borrowings used in the general trading segment during the period. Such borrowings were used for meeting the increasing capital requirements of asphalt trading business.

Share of Profits of Joint Ventures

The Group's share of profits of joint ventures increased by 100% to HK\$47,746,000 (2014: HK\$23,928,000). This item primarily represented the share of profit of Jotun COSCO of HK\$48,345,000 (2014: HK\$24,421,000) which was included in the coatings segment. The increase in profit contribution from Jotun COSCO was mainly attributable to the improvement of operating results for the period.

Share of Profits of Associates

The Group's share of profits of associates decreased by 29% to HK\$5,597,000 (2014: HK\$7,839,000). This item primarily comprised the share of profit of Double Rich of HK\$4,739,000 (2014: HK\$7,541,000) which was included in the marine fuel and other products segment.

Profit Attributable to Equity Holders

Profit attributable to equity holders of the Company during the period increased by 5% to HK\$200,300,000 (2014: HK\$190,300,000).

FINANCIAL RESOURCES AND LIQUIDITY

As at 30th June 2015, equity holders' funds of the Company increased by 1.1% to HK\$7,821,269,000 (31st December 2014: HK\$7,739,037,000). As at 30th June 2015, total cash and bank balances (including non-current deposits of HK\$25,358,000 and restricted bank deposits of HK\$648,000) of the Group was HK\$6,080,263,000 (31st December 2014: HK\$6,133,797,000). The Group had a net repayment of loans in the amount of HK\$6,671,000 (2014: HK\$35,522,000) during the period. As at 30th June 2015, total banking facilities available to the Group amounted to HK\$1,895,196,000 (31st December 2014: HK\$2,324,595,000), of which HK\$262,402,000 (31st December 2014: HK\$285,234,000) had been utilised. The gearing ratio, which represented total borrowings over total assets, fell to 0.2% (31st December 2014: 0.3%) since the end of 2014. As at 30th June 2015, the Group had net cash of HK\$6,060,884,000 (31st December 2014: HK\$6,107,736,000). Due to the provision of funds from the corporate headquarters to the operating units, the use of more costly bank borrowings to support working capital requirement was reduced. To enhance the Group's finance income and to ensure availability of cash at appropriate times to meet the Group's commitments and needs, the Group, on the basis of balancing risk, return and liquidity, invested in a mix of financial products, including overnight deposits, term deposits and offshore fixed deposits. Cash and deposits were placed with highly reputable financial institutions both in Hong Kong and China Mainland. Facing the environment of declining interest rates for major currencies and reduced deposit balance in general since the end of 2014, the Group stepped up its efforts in strengthening cash management, actively negotiating with bankers to strive for higher deposit yields for the huge sum of liquid funds on hand. As a result, interest income for the period was maintained in general at the same level as compared to the same period of 2014. A 2.21% return on the Group's cash was achieved for the period representing 193 basis points above 3-month US Dollar London Interbank Offered Rate ("LIBOR") as at the end of June 2015. As at 30th June 2015, borrowings of the Group were unsecured debt, denominated in United States dollars, carried interest at rates calculated with reference to the LIBOR and repayable within one year. The Group had no financial instruments for interest rate hedging purposes.

FINANCIAL RISK MANAGEMENT

The Group operates principally in Hong Kong, Singapore and the China Mainland, and is exposed to foreign exchange risk arising from foreign currencies held, primarily with respect to United States dollars and Renminbi. Foreign exchange risk arises from commercial transactions and recognised assets and liabilities. The Group manages its foreign exchange exposure by regularly reviewing the currency exposure of its operating subsidiaries and will consider hedging exposure by foreign exchange forward contracts when the need arises. The Group's marine fuel business is subject to fluctuation in oil prices. The Group exercises stringent control over the use of derivative financial instrument for hedging against the price risks of marine fuel and other products. In addition, the conversion of Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchange controls promulgated by the Government of the PRC.

EMPLOYEES

As at 30th June 2015, excluding joint ventures and associates, the Group had 838 (31st December 2014: 835) employees, of which 112 (31st December 2014: 100) were Hong Kong employees. During the period, total employee benefit expenses, including directors' emoluments and provident funds, were HK\$154,764,000 (2014: HK\$126,223,000). Employees were remunerated on the basis of their performance and experience. Remuneration packages include salary and a year-end discretionary bonus, which are determined with reference to market conditions and individual performance. During the period, all of the Hong Kong employees had participated in the Mandatory Provident Fund Scheme or recognised occupational retirement scheme.

On 10th May 2005, certain employees of a subsidiary of the Company were granted share options to subscribe for a total of 2,400,000 shares of the Company at a price of HK\$1.21 per share. These share options are exercisable at any time from 6th June 2005 to 5th June 2015. On 9th March 2007, the directors of the Company (excluding independent non-executive directors) and certain employees of the Group and its joint venture were granted share options to subscribe for a total of 25,930,000 shares of the Company at a price of HK\$3.666 per share. These share options are exercisable from 9th March 2009 to 8th March 2015 in the stipulated proportion at any time namely: (i) no share options shall be exercisable by the grantees within the first two years from 9th March 2007; (ii) up to a maximum of 30% of the share options can be exercised by the grantees from 9th March 2009 onwards; (iii) up to a maximum of 70% of the share options can be exercised by the grantees from 9th March 2010 onwards; and (iv) all share options can be exercised by the grantees from 9th March 2011 onwards.

DIVIDEND

The Board has declared an interim dividend of 7 HK cents (2014: 3 HK cents) per share for the six months ended 30th June 2015, representing an interim dividend payout ratio of 54%. The interim dividend will be payable on 25th September 2015 to the shareholders of the Company whose name appear on the register of members of the Company (the "Register of Members") on 11th September 2015.

For the purpose of ascertaining shareholders' entitlement to the interim dividend, the Register of Members will be closed from 9th September 2015 to 11th September 2015, both days inclusive, during which no transfer of shares of the Company will be registered. In order to qualify for the interim dividend for the six months ended 30th June 2015, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 8th September 2015.

BUSINESS REVIEW

In the first half of 2015, the global economic recovery was slower than the expectation in general and the differentiation was obvious. The globalisation trend was slowed down and the bulk commodity prices dropped significantly, which increased the instability and uncertainty of recovery. The PRC economy underwent the zigzag track of structural adjustment and modal transition, and its economy faced a relatively large downward pressure. The international shipping market remained in an oversupply condition, and the shipowners continued their fleet structure adjustment. A large number of new build vessel projects ordered by China shipowners in 2014 have commenced construction, it is expected the coming two to three years will be the peak period for the delivery of vessels which will provide favourable support to the Group's various business segments. Facing the complicated and changeable business environment, the Group spared no effort to develop existing businesses based on its established development strategy by actively focusing on development, focused on improving marketing services, continuously enhanced

service awareness, moved forward transformation and upgrading, actively built the integrated shipping services platform and achieved satisfactory results.

1. Core Business — Shipping Services

The Group's shipping services mainly include ship trading agency services, marine insurance brokerage services, supply of marine equipment and spare parts, production and sale of coatings, and trading and supply of marine fuel and related products.

During the period, revenue from the Group's shipping services was HK\$2,712,212,000 (2014: HK\$4,391,009,000), representing a decrease of 38% as compared to the same period of 2014, which was mainly attributable to the reduction of part of marine fuel and other products business with relatively high risk by the Group. Profit before income tax from shipping services was HK\$192,480,000 (2014: HK\$220,546,000), representing a decrease of 13% as compared to the same period of 2014. It was mainly attributable to the decrease in the segment profit before income tax from ship trading agency as compared to the same period of 2014.

1.1 Ship Trading Agency Services

COSCO International Ship Trading Company Limited, a wholly-owned subsidiary of the Company ("COSCO Ship Trading"), is principally engaged in the provision of agency services relating to ship building, ship trading and chartering for the fleets of COSCO and its subsidiaries (collectively "COSCO Group"), and is the sole platform for the ship trading of COSCO Group. COSCO Ship Trading also provides similar services for shipowners and shipping enterprises outside COSCO Group. COSCO Ship Trading mainly derives its revenue from agency services. In the case of new build vessels, commissions are paid by shipbuilders according to the work progresses specified in the relevant contracts. For the trading of second-hand vessels, commissions are paid to COSCO Ship Trading according to the contracts after the vendors have delivered the vessels to the buyers.

In the first half of 2015, the pace of adjustment to fleet structure slowed down which led to relatively decreases in the new build vessel orders and the number of trading transactions of second-hand vessels. The delivery of new build vessels ordered through COSCO Ship Trading reached 1,050,000 dead weight tonnages in aggregate (2014: 1,470,000 dead weight tonnages). For second-hand vessels, the sale and purchase of a total of 35 (2014: 43) second-hand vessels through COSCO Ship Trading were recorded, aggregating 1,807,000 dead weight tonnages (2014: 2,000,000 dead weight tonnages).

In addition, a total of 19 (2014: 32) new build vessels ordered through COSCO Ship Trading were recorded during the period, aggregating 1,622,000 dead weight tonnages (2014: 2,520,000 dead weight tonnages). As at 30th June 2015, the amount of new build vessels ordered through COSCO Ship Trading and pending delivery reached 9,770,000 dead weight tonnages, which were scheduled for delivery in the coming two to three years.

During the period, revenue from the ship trading agency segment decreased by 52% to HK\$43,619,000 (2014: HK\$90,796,000) as compared to the same period of 2014. Segment profit before income tax was HK\$31,169,000 (2014: HK\$69,432,000), representing a decrease of 55% as compared to the same period of 2014. The decrease in segment profit before income tax was mainly due to the decrease in new build vessel commission, second-hand vessel commission and other commission income during the period as compared to the same period of 2014.

1.2 Marine Insurance Brokerage Services

COSCO (Hong Kong) Insurance Brokers Limited, a wholly-owned subsidiary of the Company, and 深圳中遠保險經紀有限公司 (Shenzhen COSCO Insurance Brokers Limited*), a non-wholly owned subsidiary of the Company (collectively “COSCO Insurance Brokers”), are primarily engaged in the provision of insurance intermediary services including risk assessment, designing insurance programmes, placing insurance coverage, loss prevention and claims handling for the insured (including their various vessels) worldwide for service commissions.

During the period, COSCO Insurance Brokers opened up a new path to innovate new services and products and marketing model under the severe operating condition of large scale vessel dismantling. Focusing on the direction of “Establishing group insurance brokerage for COSCO Group’s fleets” as a base, COSCO Insurance Brokers continued to carry forward two expansions (expansion from business within COSCO Group to business outside COSCO Group, and expansion from marine insurance business to non-marine insurance business), as well as put efforts on innovations in two expansions (expansion from corporate business to individual business, and expansion from offline business to online business), and achieved results to a certain extent. Following the completion of the overall renewal of the hull and machinery insurance and war risks insurance of COSCO Group’s fleets, during the period, COSCO Insurance Brokers successfully explored the motor vehicle insurance and terminals comprehensive insurance businesses within COSCO Group, achieved favourable results in the ship repairer’s liability insurance and ship builder’s risks insurance businesses, and also successfully explored new businesses such as credit insurance and shipping agent liability insurance. Satisfactory results were also achieved in online marketing, and successfully secured business in relation to The Nairobi International Convention on the Removal of Wrecks《內羅畢國際船舶殘骸清除公約》by the marketing through WeChat public platform, thus achieved stable growth in commission income from marine insurance brokerage services in general.

During the period, revenue from insurance brokerage segment was HK\$46,050,000 (2014: HK\$45,070,000), up by 2% as compared to the same period of 2014. Segment profit before income tax was HK\$34,067,000 (2014: HK\$32,296,000), representing an increase of 5% as compared to the same period of 2014.

1.3 Supply of Marine Equipment and Spare Parts

COSCO Yuantong Operation Headquarters, which are composed of Yuantong Marine Service Co. Limited, a wholly-owned subsidiary of the Company (“Yuantong”), and its subsidiaries (including 新中鈴株式會社 (Shin Chung Lin Corporation*), Xing Yuan (Singapore) Pte. Ltd., Hanyuan Technical Service Center GmbH, 遠通海務貿易(上海)有限公司 (Yuantong Marine Trade (Shanghai) Co., Ltd.*), 中遠(北京)海上電子設備有限公司 (COSCO (Beijing) Marine Electronic Equipment Limited*) and Yuan Hua Technical & Supply Corporation), are principally engaged in the sale and installation of marine equipment and spare parts for existing and new build vessels, as well as equipment of radio communication systems, satellite communication and navigation systems for ships, offshore facilities, coastal station and land users, marine materials supply and voyage repairs. Its existing business network covers Hong Kong, Shanghai, Beijing, Japan, Singapore, Germany and the United States.

During the period, facing the fierce market competition, COSCO Yuantong Operation Headquarters continued to intensify its marketing services by actively visiting customers and vigorously developing communications and navigation equipment with relatively high profit margin, spare parts and new build vessel equipment businesses, which achieved remarkable results in the expansion of non-COSCO Group customers. In

addition, COSCO Yuantong Operation Headquarters actively launched additional value-added services, such as ship repairs and safety inspection assistance in response to market changes and customers' needs. These services enhanced customers' satisfaction and also further enhanced corporate brand value.

During the period, revenue from marine equipment and spare parts segment was HK\$539,840,000 (2014: HK\$524,989,000), up by 3% as compared to the same period of 2014. Segment profit before income tax was HK\$31,360,000 (2014: HK\$25,447,000), representing an increase of 23% as compared to the same period of 2014.

1.4 Production and Sale of Coatings

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

For container coatings, demand rebounded for new build containers during the period but market competition was fierce. COSCO Kansai Companies successfully explored new customers while further consolidating the key customers. They carried out strategic marketing tailored to the needs of different markets and customers and provided differential services so as to maintain their leading position in China's container coating market. For marine coatings, Jotun COSCO put greater efforts into marketing and customer care, and therefore maintained its leading position in China's marine coating market. In addition, in order to meet future development needs of the coating business units and maintain a sound market position in China Mainland, the Group spared no effort to push forward the construction of new plants of two joint ventures and achieved results in stage. The grand opening ceremony for operation of the plant of 中遠關西塗料(上海)有限公司 (COSCO Kansai Paint (Shanghai) Co., Ltd.*) in Jinshan, Shanghai, was held on 30th June 2015. The coating plant of Jotun COSCO Marine Coatings (Qingdao) Co., Ltd. in Qingdao has officially commenced production.

During the period, revenue from coatings segment was HK\$671,085,000 (2014: HK\$661,222,000), up by 1% as compared to the same period of 2014, which was mainly due to the increase in sale revenue in industrial heavy-duty anti-corrosion coatings. Segment profit before income tax was HK\$87,784,000 (2014: HK\$82,457,000), representing an increase of 6% as compared to the same period of 2014. Fierce market competition in container coatings resulted in depressed container coating price and decrease in gross profit margin, together with the one-off factor of the reversal of provision for impairment of trade receivables (net of provision) of HK\$11,930,000 as trade receivables were successfully recovered in the same period of 2014, the operating profit from coatings segment thus decreased by 33% as compared to the same period of 2014. During the period, COSCO Kansai (Shanghai) recorded government subsidy income of HK\$23,330,000 in relation to the specific subsidy granted by the Shanghai Municipal Government, which fully offset the additional costs generated in the course of plant relocation. Moreover, the decrease in the operating profit from the coatings segment was fully offset by the significant increase in the share of profit from Jotun COSCO attributable to the Group.

1.4.1 Container Coatings and Industrial Heavy-duty Anti-corrosion Coatings

COSCO Kansai Companies have coating plants in Zhuhai, Shanghai and Tianjin respectively. These three coating plants are respectively located in the Pearl River Delta, the Yangtze River Delta and the Pan-Bohai Rim Area, the three most economically developed regions of China.

During the period, COSCO Kansai Companies succeeded in gaining orders from new customers by conducting effective communication and exchange of ideas with container manufacturing enterprises and container owners for full understanding of customers' needs and maintaining close cooperation. It also offered quality services to major container manufacturers and container owners through on-site technical services enhancement, which gained the support and trust of key customers. During the period, the sales volume of container coatings amounted to 25,944 tonnes, representing an increase of 8% as compared to 24,071 tonnes for the same period of 2014.

In addition, COSCO Kansai Companies continued to step up effort in developing the business of industrial heavy-duty anti-corrosion coatings, actively formulated sales and marketing strategies for each business segment, and established certain project teams on industry-oriented basis to strengthen business expansion, deployed sales network, optimised human resources allocation and increased market development efforts, remarkable results were achieved in the areas of bridges, steel structures and wind power. During the period, the sales volume of industrial heavy-duty anti-corrosion coatings together with workshop primer amounted to 7,425 tonnes (2014: 6,507 tonnes), representing an increase of 14% as compared to the same period of 2014.

1.4.2 Marine Coatings

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

During the period, a large number of new build vessel projects have commenced construction. Jotun COSCO seized market opportunities. On the one hand, it built a comprehensive service system, actively maintained and solidified customer relations with major domestic shipyards and shipowners. On the other hand, it strived to obtain high quality coating orders for new build vessels through selective market development and put full effort to improve coatings for repair and maintenance business, in order to maintain the leading market share continuously while further enhance its profitability. During the period, in order to cater for the market needs, Jotun COSCO strived for product enhancement, facilitated energy saving and emission reduction of vessels, while focusing on the promotion of HPS (Hull Performance Solution) and maintenance coating products that deliver the vessel maintenance concept, which secured the leading position of Jotun COSCO in the marine coatings market in China. During the period, sales volume of marine coatings for new build vessels of Jotun COSCO was 30,577,000 litres, up by 60% as compared to the same period of 2014. Sales volume of coatings for repair and maintenance was 9,185,000 litres, increased by 20% as compared to the same period of 2014. The sales volume of Jotun COSCO's marine coatings amounted to 39,762,000 litres (equivalent to approximately 53,679 tonnes) (2014: 26,702,000 litres (equivalent to approximately 36,048 tonnes)), representing an increase of 49% as compared to the same period of 2014. During the period, the Group's share of profit from Jotun COSCO was HK\$48,345,000 (2014: HK\$24,421,000), up markedly by 98% as compared to the same period of 2014. It was mainly attributable to the obvious improvement in the gross profit margin of Jotun COSCO resulting from an increase in the sales volume of marine coatings during the period as compared to the same period of 2014, and a decrease in raw material prices during the period as compared to the same period of 2014.

In addition, as at 30th June 2015, Jotun COSCO had coating contracts in hand for new build vessels amounting to 38,630,000 dead weight tonnages pending delivery. These coatings were scheduled to be delivered in the coming two to three years, which guaranteed the stable development of Jotun COSCO's future business.

1.5 Trading and Supply of Marine Fuel and Related Products

Sinfeng Marine Services Pte. Ltd., a wholly-owned subsidiary of the Company ("Sinfeng"), is primarily engaged in the provision of marine fuel supply, trading and brokerage services of marine fuel and related products. Currently, its business network primarily covers major oil ports such as Singapore and Malaysia.

During the period, Sinfeng adopted prudent business strategies by reducing certain businesses of relatively high risks and carrying out business with reputable customers in response to the complicated shipping market environment. During the period, total sales volume of marine fuel products was 499,948 tonnes, down by 21% as compared to 635,365 tonnes for the same period of 2014. Revenue from marine fuel and other products segment was HK\$1,411,618,000, down by 54% as compared to HK\$3,068,932,000 for the same period of 2014.

Double Rich, in which the Group owns 18% equity interest, is principally engaged in the trading of fuel and oil products and the provision of bunker oil supply services in Hong Kong and at the same time in sourcing products like light diesels and fuel oil. Its major customers are shipowners and ship operators. During the period, the Group's share of profit from Double Rich was HK\$4,739,000 (2014: HK\$7,541,000), down by 37% as compared to the same period of 2014, which was mainly due to the decreases in revenue and gross profit during the period.

Profit before income tax from marine fuel and other products segment was HK\$8,100,000 (2014: HK\$10,914,000), representing a decrease of 26% as compared to the same period of 2014, which was mainly attributable to the decrease in share of profit of associate.

2. General Trading

中遠國際貿易有限公司 (COSCO International Trading Company Limited*), a wholly-owned subsidiary of the Company ("CITC"), is principally engaged in the trading of asphalt and other comprehensive trading.

During the period, facing intensifying market competition, CITC continued to focus on the marketing for regional markets, consolidated the asphalt supply business for highway while gradually participated in urban infrastructure and asphalt retail areas so as to expand market share by changing the operating model to enhance the profitability. During the period, the sales volume of asphalt of CITC amounted to 52,363 tonnes, representing a decrease of 8% as compared to 56,628 tonnes for the same period of 2014, which was mainly attributable to the commencement of product delivery of majority of the bid projects in the second half of the year.

During the period, revenue from general trading segment was HK\$316,271,000 (2014: HK\$349,295,000), down by 9% as compared to the same period of 2014. The decrease in revenue was due to the slowdown in asphalt deliveries in the first half of the year. Segment profit before income tax was HK\$29,790,000 (2014: loss of HK\$4,862,000), representing a significant increase as compared to the same period of 2014. The improvement in segment profit before income tax was mainly attributable to the reversal of provision for impairment of other receivables of HK\$18,979,000 due to successful collection of other receivables in default during the period.

OTHER INFORMATION

The Company was informed by COSCO and noticed that COSCO was planning significant matter(s) involving the Company. In view of the substantial uncertainty of the said matter(s) and in order to ensure fair disclosure of information, safeguard the interest of investors and prevent unusual fluctuations in the share price of the Company, the trading in the shares of the Company on The Stock Exchange of Hong Kong Limited has been suspended with effect from 9:00 a.m. on 10th August 2015. The Company will communicate with COSCO promptly to see whether COSCO will proceed the aforesaid significant matter(s) and release an inside information announcement in relation to the progress of the relevant matter(s) timely.

PROSPECTS

In the second half of 2015, the global economy will still grow at a slow pace with serious structural problems. Under the expected increase in interest rate in the United States and the impact of a slow economic growth in China, foreign trade will be difficult to resume rapid growth. However, the overall situation will be better than that in the first half of the year. The shipping market will still be suffering from an imbalance of supply and demand of shipping capacity and depressed freight rates, it is anticipated that shipowners will continue to strictly control cost and the operation of the shipping services will be under severe pressure. However, strategic plans such as “Made in China 2025” and “One Belt and One Road”, construction of free-trade zones, stated-owned enterprises reforms and a series of policies promoting the development of the shipping industry promulgated by the PRC government recently are favourable opportunities for the Group which have laid a solid foundation for sustainable and healthy development of the Group.

COSCO International will continue to develop with the vision of establishing itself as a “global leading one-stop shipping services provider” by means of further promoting the construction of the integrated shipping services platform. The Group will endeavour to pursue in four areas, expansion and reinforcement of existing businesses to enhance profitability, optimisation of asset structure to facilitate upgrading of business, expansion of industry value chain of existing business to maintain sustainable competitive edges of the platform and development of new business segments to make great strides in its development.

Firstly, existing businesses will be expanded and reinforced. All business units of COSCO International will proactively respond to market changes and improve segment profitability after taking into account their own circumstances. For the ship trading agency, COSCO Ship Trading will actively work with the shipowners to drive new build vessel projects. It will co-ordinate with the shipyards and shipowners to ensure smooth delivery of new build vessels, and further strengthen the communication with ship scrapers for carrying out joint monitoring over vessel dismantling. Meanwhile, it will seize market opportunities and explore new business actively, to lay a solid foundation for the future development of COSCO Ship Trading. For the marine insurance brokerage services, COSCO Insurance Brokers will focus on establishing an insurance procurement platform for COSCO Group, innovate new services and products and marketing at the same time, and increase efforts in developing non-COSCO customers business and further expand the business channels and scope while staying alert to risk prevention. For supply of marine equipment and spare parts, COSCO Yuantong Operation Headquarters will further optimise network establishment, strengthen the cooperation with large stated-owned enterprises in the same industry in order to enhance the global procurement capability as well as the management of suppliers. Through setting up a centralised management system of suppliers, optimising the operation process, reducing overall procurement costs and boosting the overall effectiveness, core

competitiveness will be gradually crystalised. For container coatings, COSCO Kansai Companies will fully utilise the production capacity of the new plant in Jinshan, Shanghai, maintain its close relationship with container manufacturing enterprises and container owners and capture more sales orders in terms of container coating types and quantity in order to maintain their leading positions in terms of the market share in the container coating market. For industrial heavy-duty anti-corrosion coatings, COSCO Kansai Companies will focus on consummating the expansion of markets of three major areas, namely the Southern, Central and Northern China and offer industry guidelines. They will put more efforts into developing and follow-up work of key customers and key projects in order to achieve a higher success rate in respect of projects. For marine coatings, Jotun COSCO will capture market opportunities, exert marketing and customer care efforts to enhance customers' satisfaction. It will also develop selected markets, seek better orders of marine coatings for new build vessels, and raise the market share among customers of vessel repairs. It will continue to focus on the promotion of HPS (Hull Performance Solution) and maintenance coating products that deliver the vessel maintenance concept.

Secondly, asset structure will be optimised. To welcome a new round of major reforms in state-owned enterprises, the Group will step up consolidation of existing business segments and gradually divest itself of non-core businesses. The Group will further adjust timely the general trading business with less synergy generated with the integrated shipping services platform. With respect to Sinfeng, which is engaged in the marine fuel oil supply business, the Group will continue to exercise strict control on operational risk, further reduce risky business and effect timely adjustment. With respect to COSCO Kansai Companies, the operating model for the three plants in Shanghai, Tianjin and Zhuhai will be adjusted and management will be streamlined to improve efficiency. The Group will closely monitor the trends of state-owned enterprises reforms in China, enhance communication and liaison with large state-owned enterprises in the same industry and to strive for strong business alliance. Meanwhile, the Group will leverage good internal integration capability to further facilitate business transformation and upgrading of various business segments, provide solutions for ship energy efficiency management by using modern technology, such as internet of things and big data, to reduce cost and increase efficiency proactively for shipowners and transform itself from meeting the needs of shipowners to guiding the needs of shipowners.

Thirdly, the industry value chain of existing business will be expanded. The launching of the strategic plan "Made in China 2025" and the major trend of industry transformation and upgrading provides the best opportunities for expansion of the industry value chain of the Group's various business segments. The Group will further study and develop upstream and downstream areas and projects along the industry value chain for synergistic development and economies of scale.

Fourthly, new business segments will be explored actively. The Group will capture possible investment opportunities within and outside COSCO Group actively, strive to develop new business segments, broaden the Company's base for earnings and bring about the development of related businesses to realise leaping development for the Group.

Looking forward, the Group will continue to pursue the objective of maximising the return of the shareholders of the Company. By riding on the easterly winds of state-owned enterprises reforms in China together with more open-minded attitude and diversified methods in order to promote the extension and expansion of products and services, the initially formed, considerable scaled integrated shipping services platform will be developed into a public platform for the industry and ultimately accomplish the target of becoming a one-stop shipping services provider.

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 2015.

CORPORATE GOVERNANCE

Maintaining high standards of corporate governance has always been one of the Company's priorities. This is achieved through an effective, timely disclosure of information by the Board and a proactive investor relations programme. The Company will continue to implement measures in order to further strengthen its corporate governance and overall risk management.

The Board believed that the Company has complied with the code provisions of Corporate Governance Code contained in Appendix 14 to the Listing Rules during the six months ended 30th June 2015.

The Audit Committee consists of three Independent Non-executive Directors and the chairman of which is a certified public accountant. The main duties of Audit Committee include reviewing the accounting policies and supervising the Company's financial reporting process; monitoring the performance of both the internal and external auditors; reviewing and examining the effectiveness of the financial reporting procedures and internal controls; ensuring compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, and internal rules and procedures approved by the Board. The Audit Committee and the independent external auditor have reviewed the Unaudited Condensed Consolidated Interim Financial Information of the Group for the six months ended 30th June 2015.

The Company has adopted a code of conduct regarding securities transactions of Directors and employees (the "Securities Code") no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. In order to ensure the Directors' dealings in the securities of the Company are conducted in accordance with the Model Code and the Securities Code, a committee currently comprising the Chairman, the Vice Chairman, the Managing Director and a Director was set up to deal with such transactions. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code and the Securities Code during the six months ended 30th June 2015, all Directors confirmed that they had complied with the required standards set out in the Model Code and the Securities Code during the period.

By Order of the Board
COSCO International Holdings Limited
Xu Zhengjun
Managing Director

Hong Kong, 19th August 2015

As at the date of this announcement, the Board comprises nine directors with Mr. Sun Jiakang (Chairman), Mr. Zhang Liang (Vice Chairman), Mr. He Jiale and Mr. Xu Zhengjun (Managing Director) as executive directors; Mr. Wang Wei and Mr. Wu Shuxiong as non-executive directors and Mr. Tsui Yiu Wa, Alec, Mr. Jiang, Simon X. and Mr. Alexander Reid Hamilton as independent non-executive directors.

* *for identification purpose only*