



**COSCO International Holdings Limited**  
(incorporated in Bermuda with limited liability)  
(Stock Code: 0517)

**ANNOUNCEMENT OF 2006 INTERIM RESULTS**

The board of directors (the "Board") of COSCO International Holdings Limited (the "Company") is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries for the six months ended 30th June 2006. The unaudited consolidated interim results have been reviewed by the audit committee of the Company.

**CONDENSED CONSOLIDATED INCOME STATEMENT**  
For the six months ended 30th June 2006

	Note	Unaudited	
		Six months ended 30th June 2006 HK\$'000	2005 HK\$'000
Turnover	2	878,269	947,008
Cost of sales		(667,002)	(703,132)
<b>Gross profit</b>		<b>211,267</b>	<b>243,876</b>
Other revenues		23,415	7,557
Other operating income		7,379	11,710
Fair value gains on investment properties and write-back of impairment loss on prepaid premium for land leases		700	300,441
Selling and distribution expenses		(62,701)	(65,826)
Administrative expenses		(67,273)	(62,861)
Other operating expenses		(2,936)	(6,217)
<b>Operating profit</b>	3	<b>109,851</b>	<b>428,680</b>
Finance costs	4	(1,155)	(13,095)
Share of results of jointly controlled entities		36,566	(4,209)
<b>Profit before income tax</b>		<b>145,262</b>	<b>411,376</b>
Income tax expense	5	(22,584)	(18,644)
<b>Profit for the period</b>		<b>122,678</b>	<b>392,732</b>
<b>Attributable to:</b>			
Equity holders of the Company		99,770	369,794
Minority interests		22,908	22,938
		122,678	392,732
Dividend	6	14,374	14,174
<b>Earnings per share for profit attributable to the equity holders of the Company</b> (expressed in Hong Kong cents per share)	7		
– basic		6.99	26.12
– diluted		6.91	25.84

  

	Note	Unaudited	Audited
		30th June 2006 HK\$'000	31st December 2005 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties		33,323	32,614
Intangible assets		79,616	79,616
Property, plant and equipment		62,732	60,030
Prepaid premium for land leases		16,436	11,542
Associated companies		5,919	5,919
Jointly controlled entities		341,838	305,276
Available-for-sale financial assets		47,834	86,806
		587,698	581,803
<b>Current assets</b>			
Completed properties held for sale		132,209	81,956
Properties under development for sale		54,176	144,529
Inventories		220,411	163,944
Trade and other receivables	8	642,267	455,841
Available-for-sale financial assets		80,432	–
Financial assets at fair value through profit or loss		678	350
Non-current assets classified as held for sale		–	9,179
Cash and cash equivalents		1,165,610	1,274,085
		2,295,783	2,129,884
<b>Total assets</b>		<b>2,883,481</b>	<b>2,711,687</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital		143,742	141,824
Reserves		1,550,154	1,401,722
Proposed special and final dividends		–	49,638
Interim dividend declared		14,374	–
		1,708,270	1,593,184
Minority interests		208,488	193,853
<b>Total equity</b>		<b>1,916,758</b>	<b>1,787,037</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		–	96,090
Deferred income tax liabilities		85	85
		85	96,175
<b>Current liabilities</b>			
Trade and other payables	9	883,205	810,867
Current income tax liabilities		25,148	7,038
Borrowings		58,285	10,570
		966,638	828,475
<b>Total liabilities</b>		<b>966,723</b>	<b>924,650</b>
<b>Total equity and liabilities</b>		<b>2,883,481</b>	<b>2,711,687</b>
<b>Net current assets</b>		<b>1,329,145</b>	<b>1,301,409</b>
<b>Total assets less current liabilities</b>		<b>1,916,843</b>	<b>1,883,212</b>

Notes:

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

The unaudited condensed interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The accounting policies and methods used in the preparation of the unaudited condensed interim financial statements are consistent with those set out in the 2005 annual financial statements. The HKICPA has issued certain new standards, interpretations and amendments to existing standards (collectively "New Standards") which are effective for accounting periods beginning on or after 1st January 2006. The Group has assessed the impact of these New Standards and concluded that the adoption of these New Standards in the current period did not have any material impact on the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements should be read in conjunction with the 2005 annual financial statements.

**2 Segment information**

**Primary reporting format – business segments**

	Six months ended 30th June 2006				
	Ship trading and supplying services HK\$'000	Property development and property investment HK\$'000	Building construction HK\$'000	Other operations HK\$'000	Group HK\$'000
Segment turnover	689,232	185,145	3,555	337	878,269
Segment results	72,147	31,489	1,389	4,796	109,821
Fair value gains on investment properties					700
Unallocated corporate expenses, net of income					(670)
Operating profit					109,851
Finance costs					(1,155)
Share of results of jointly controlled entities	3,500	33,066	–	–	36,566
Profit before income tax					145,262
Income tax expense					(22,584)
Profit for the period					122,678

	Six months ended 30th June 2005				
	Ship trading and supplying services HK\$'000	Property development and property investment HK\$'000	Building construction HK\$'000	Other operations HK\$'000	Group HK\$'000
Segment turnover	831,229	96,446	18,585	748	947,008
Segment results	96,451	40,209	(4,363)	7,746	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 jointly controlled entities	3,760	(7,969)	–	–	(4,209)
Profit before income tax					411,376
Income tax expense					(18,644)
Profit for the period					392,732

**Secondary reporting format – geographical segments**

	Segment turnover		Segment results	
	Six months ended 30th June 2006 HK\$'000	2005 HK\$'000	Six months ended 30th June 2006 HK\$'000	2005 HK\$'000
Hong Kong	186,367	292,130	40,690	376,791
China Mainland	691,902	654,878	69,831	63,693
	878,269	947,008	110,521	440,484
Unallocated corporate expenses, net of income			(670)	(11,804)
Operating profit			109,851	428,680

**3 Operating profit**

Operating profit is arrived after crediting and charging the following:

	Six months ended 30th June	
	2006 HK\$'000	2005 HK\$'000
<b>Crediting</b>		
Net rental income	631	16,552
Net realised gain on available-for-sale financial assets	–	5,018
Fair value gains on financial assets at fair value through profit or loss	328	50
Gain on disposal/write-off of property, plant and equipment	800	3,497
Gain on disposal of non-current assets classified as held for sale	3,821	–
<b>Charging</b>		
Depreciation, net of amount capitalised in construction contracts in progress and inventory totalling HK\$587,000 (2005: HK\$440,000)	3,929	3,534
Amortisation of leasehold land	215	1,974
Staff costs, net of amount capitalised in inventory totalling HK\$3,102,000 (2005: HK\$8,082,000)	46,270	45,729
Pension costs	2,636	3,021
Cost of inventories sold	515,324	629,535
Cost of properties sold	147,240	51,256

**4 Finance costs**

	Six months ended 30th June	
	2006 HK\$'000	2005 HK\$'000
Interest on bank and other loans wholly repayable within five years	3,066	16,165
Other borrowing costs	766	–
	3,832	16,165
Capitalised in properties under development for sale	(2,677)	(3,070)
	1,155	13,095

**5 Income tax expense**

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 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 the China Mainland for the period at the rates of taxation prevailing in the China Mainland.

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

	Six months ended 30th June 2006 HK\$'000	2005 HK\$'000
Current income tax		
- Hong Kong profits tax	6,738	8,719
- China Mainland taxation	15,846	9,925
Income tax expense	22,584	18,644

**6 Dividend**

	Six months ended 30th June 2006 HK\$'000	2005 HK\$'000
2006 interim dividend, declared, of HK\$0.01 (2005: HK\$0.01) per ordinary share	14,374	14,174

**Notes:**

(a) At the board meeting held on 30th March 2006, the Board proposed a final dividend of HK\$0.021 per ordinary share and a special dividend of HK\$0.014 per ordinary share for the year ended 31st December 2005, which were paid on 8th June 2006 and have been reflected as an appropriation of retained profits for the six months ended 30th June 2006.

(b) At the board meeting held on 18th September 2006, the Board declared an interim dividend of HK\$0.01 per ordinary share for the six months ended 30th June 2006. This dividend is not reflected as dividend payable in the unaudited condensed financial statements, but will be reflected as an appropriation of retained profits for the year ending 31st December 2006.

**7 Earnings per share**

The calculation of basic and diluted earnings per share is based on the Group's profit attributable to the equity holders of the Company of HK\$99,770,000 (2005: HK\$369,794,000). The basic earnings per share is based on the weighted average number of 1,428,032,451 (2005: 1,415,797,092) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the six months ended 30th June 2006 is based on the weighted average number of 1,443,609,095 (2005: 1,431,052,065) shares in issue after adjusting for the potential dilutive effect in respect of outstanding share options.

**8 Trade and other receivables**

As at 30th June 2006, trade and other receivables included trade receivables amounting to HK\$544,602,000 (31st December 2005: HK\$393,547,000). The ageing analysis of trade receivables, net of provision for bad and doubtful debt is as follows:

	30th June 2006 HK\$'000	31st December 2005 HK\$'000
Current - 90 days	404,701	218,825
91 - 180 days	94,564	102,144
Over 180 days	45,337	72,578
	544,602	393,547

For sales of coating products, the majority of sales are on credit terms from 30 days to 90 days. For building construction contracts, they are billed according to certified progress billings, while revenue from sales of properties and other operating revenues are billed according to the terms of the relevant contracts governing the transactions. Other than those with credit terms, all invoices billed are payable upon presentation.

**9 Trade and other payables**

As at 30th June 2006, trade and other payables included trade payables amounting to HK\$389,522,000 (31st December 2005: HK\$231,857,000). The ageing analysis of trade payables is as follows:

	30th June 2006 HK\$'000	31st December 2005 HK\$'000
Current - 90 days	320,527	172,621
91 - 180 days	35,854	19,714
Over 180 days	33,141	39,522
	389,522	231,857

**MANAGEMENT DISCUSSION AND ANALYSIS****RESULTS**

For the six months ended 30th June 2006, the Company and its subsidiaries recorded a turnover of HK\$878,269,000 (2005: HK\$947,008,000), decreased by 7.3% as compared to the same period of last year. Unaudited profit after tax and minority interests was HK\$99,770,000 (2005: HK\$369,794,000). Earnings per share was HK6.99 cents (2005: HK26.12 cents), decreased by 73.2% over the same period of last year. Excluding the fair value gains of the first half of this year and same period of last year which were HK\$700,000 and HK\$300,441,000, profit attributable to equity holders for the period increased by 42.8% compared to the the same period of last year.

**DIVIDEND**

The Board has declared an interim dividend of HK1 cent per share (2005: HK1 cent per share) for the six months ended 30th June 2006.

The Register of Members will be closed from 19th October 2006 (Thursday) to 23rd October 2006 (Monday), both days inclusive, during which no transfer of shares will be effected.

To qualify for the interim dividend, share transfer document(s) accompanied by the relevant share certificates must be lodged with the Company's branch registrar in Hong Kong, Abacus Share Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00p.m. on 18th October 2006 (Wednesday).

The relevant dividend will be payable on or about 1st November 2006 to shareholders of the Company whose names appear on the Register of Members of the Company on 23rd October 2006.

**BUSINESS REVIEW**

For the past six months, the global economy maintained a stable and balanced growth. Gross domestic product's growth in the China Mainland is expected to be 10.9% for the first half of the year; the economy as a whole continued to be robust as investment and trading were expanding rapidly and with strong domestic consumption. During the period under review, by capturing business opportunities in the shipping industry relying on the solid economic fundamentals of Hong Kong and continuous economic growth in the China Mainland, and taking full advantage of its strengths in such areas as costs control, maintaining operation and management efficiency, the Company and its subsidiaries were able to achieve a satisfactory performance despite persistent high oil price, interest rate hikes and competitive market conditions.

**(A) Ship Trading and Supplying Businesses**

In the first half of 2006, the Company and its subsidiaries' turnover in ship trading and supplying services businesses recorded HK\$689,232,000 (2005: HK\$831,229,000), decreased by 17.1% as compared to the corresponding period of last year, accounted for 78.5% of the Company and its subsidiaries' turnover in the first half of the year. Profit contribution of ship trading and supplying businesses reached HK\$72,147,000 (2005: HK\$96,451,000), decreased by 25.2% as compared with the same period of last year and accounted for 65.7% of the Company and its subsidiaries' total segment results in the first half of the year. The changes were caused by the cyclical change in shipping industry since the fourth quarter of 2005, slow-down demand for containers since the beginning of 2006, coupled with the soaring oil and raw materials prices.

**Ship Trading Agency Services**

COSCO International Ship Trading Company Limited ("COSCO Ship Trading"), a 60% owned subsidiary of the Company, is mainly engaged in the business of providing ship trading agency services in connection with ship building, buying and selling, as well as ship chartering to COSCO's fleets on exclusive basis and providing the related services to non-COSCO customers. In the first half of 2006, transactions in the sale and purchase of new and second hand vessels were active. During the period, COSCO Ship Trading consummated the vessel trading of 3,137,000 dead weight tonnages, increased by 99.94% as compared to 1,569,000 dead weight tonnages for the corresponding period in the previous year.

**Marine Insurance Brokerage**

Being the sole insurance intermediary company within the COSCO Group and has Lloyd's broker accreditation, COSCO (Hong Kong) Insurance Brokers Limited ("HK COSCO Insurance Brokers"), a wholly-owned subsidiary of the Company, mainly operates insurance intermediary businesses in respect of marine insurance and shipowners' liabilities insurance. Shenzhen COSCO Insurance Brokers Limited ("SZ COSCO Insurance Brokers"), a non wholly-owned subsidiary of the Company, is mainly engaged in the business of providing insurance brokerage services vessels flying with PRC national flag in the China Mainland. During the period of review, SZ COSCO Insurance Brokers has succeeded in developing marine re-insurance, hull and machinery insurance, protection and indemnity insurance and non marine insurance. HK COSCO Insurance Brokers and SZ COSCO Insurance Brokers have during the period generated a turnover of HK\$20,527,000, increased by 10.9% as compared to HK\$18,512,000 for the corresponding period in the previous year.

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

Yuantong Marine Service Co. Limited ("Yuantong"), a wholly-owned subsidiary of the Company, is principally engaged in the businesses of supply and installation of equipment and spare parts for existing vessels and new vessels, oil drilling projects at sea and communications systems, shore-based AIS system, vessel traffic management systems and information management system for land users. Yuantong recorded a turnover of HK\$144,955,000 during the period, decreased by 18.8% as compared to HK\$178,517,000 for the corresponding period in the previous year. This was mainly because shipowners reduced the expenditure on vessels spare parts and communications and navigation equipments due to the cyclical change in shipping industry. On one hand, Yuantong will increase its communication with shipowners, explore new markets and increase customer resources in order to obtain more orders. On the other hand, Yuantong will continue to follow-up with the new vessels building market and the business of navigation and communications systems. Under the competitive market conditions, Yuantong is strenuous in building good relationship with the manufacturers, strengthening its provision of technical services and exploring new procurement channel so as to enhance its competitiveness.

**Production and Sales of Coatings**

The Company and its subsidiaries are engaged in the business of production and sales of three different coatings products, namely container coatings, marine coatings and industrial use heavy anti-corrosion coatings. 上海中遠關西塗料化工有限公司 ("Shanghai COSCO Kansai Paint & Chemicals Co., Ltd") and 天津中遠關西塗料化工有限公司 ("Tianjin COSCO Kansai Paint & Chemicals Co., Ltd") (collectively known as "COSCO Kansai Companies"), both being the non wholly-owned subsidiaries of the Company, are mainly engaged in the business of production and sales of container coatings and industrial use heavy anti-corrosion coatings; while Jotun COSCO Marine Coatings (HK) Limited ("Jotun COSCO"), a 50-50 jointly controlled entity of the Company, is mainly responsible for the business of production and sales of marine coatings.

During the period, COSCO Kansai Companies recorded total sales of coating products of 31,981 tonnes (2005: 47,009 tonnes) decreased by 32% as compared to the corresponding period in the previous year. This was mainly attributable to the reduction in orders from the container manufacturers since the second half of 2005. However, in view of the ratio of worldwide containers and the vessels fleet being not in proportion, coupled with positive outlook on the shipping market and the container manufacturing market since April 2006, COSCO Kansai Companies expect that the sales of container coatings products in the whole of 2006 should achieve a better result than last year. On the other hand, the continuously strong demand for industrial coatings in construction, transportation, infrastructure and energy sectors and active market development by COSCO Kansai Companies and expansion of business, the sales of the industrial use anti-corrosion coating therefore recorded a significant growth. In the first half of 2006, the sales volume grew by 40% compared to the same period of last year.

The marine coatings market followed the good trend in the previous year. In such condition, Jotun COSCO recorded total sales volume of 8,640,000 litre, which is equivalent to approximately 11,234 tonnes (2005: 7,832,000 litre, which is equivalent to approximately 10,181 tonnes) during the period, an increase of 10.3% compared to the same period of last year.

**Zhuhai COSCO Kansai Paint & Chemicals Co., Ltd.**

To expand its coatings business to Southern China, a new joint venture called Zhuhai COSCO Kansai Paint & Chemicals Co., Ltd. ("Zhuhai COSCO Kansai") was incorporated in February 2006. The coating production plant set up in the Zhuhai Harbour Industrial Zone by Zhuhai COSCO Kansai is expected to commence production in July 2007. Its annual coatings production capacity will be 24,000 tonnes and will be increased to 36,000 tonnes after the expansion. After the setting up of Zhuhai COSCO Kansai, the Group's South-North-Middle strategic development along the coastline on coatings business was formed. Shanghai, Tianjin, Guangzhou and Zhuhai are each located in three of the areas with the highest economic potentiality in China, namely Yangtze River Delta, Bohai Rim and Pearl River Delta, which could facilitate the provision of speedy and efficient network services to its customers.

In view of the good cooperation relationship, COSCO Kansai Companies and NKM Coatings Co., Ltd. ("NKM") further entered into a conditional master sales agreement with Kansai Paint Co., Ltd on 19th June 2006 to replace the one that had expired on 31st December 2005. Under the new agreement, COSCO Kansai Companies agreed to continue to sell container coatings and marine coatings to NKM for a term of two years commencing on 1st January 2006 and expiring on 31st December 2007.

**(B) Property Development and Investment**

In the first half of 2006, the property development and investment of the Company and its subsidiaries recorded HK\$185,145,000 (2005: HK\$96,446,000), an increase of 92% compared to the corresponding period in the previous year. The property development and investment accounted for 21.1% of the Company and its subsidiaries' total turnover in the first half of the year. The changes were mainly caused by more delivery of flats in COSCO Yihe Garden in the first half of 2006 than the corresponding period of last year, by Shenyang COSCO Yihe Property Development Co., Ltd ("Shenyang COSCO Yihe"), a non wholly-owned subsidiary of the Company. Profit contribution from property development and investment businesses reached HK\$31,489,000 (2005: HK\$40,209,000), decreased by 21.7% as compared to the same period of the last year and accounted for 28.7% of the Company and its subsidiaries' total segment results in the first half of the year. The changes were mainly caused by the reduction in return from the investment properties on the first half of 2006 when compared to the corresponding period of last year after the disposal of eight floors in COSCO Tower in the second half of 2005.

**Business in Hong Kong**

After the disposal of its properties in COSCO Tower and a shopping mall and 9 coach parking spaces in Broadview Court, Shum Wan, the Company still has 195 car parking spaces in Broadview Court, Shum Wan available for sale. The Company will continue to monitor the property market and sell the said parking spaces should the opportunity arise.

**Business in China Mainland****Kingswell Garden**

Kingswell Garden, a hotel-style service apartment complex owned by the Company in Shanghai, recorded an occupancy rate of 75% (2005: 70%).

**Fragrant Garden**

After the completion of the sales and delivery of most of the residential units in Fragrant Garden, Shanghai, the Company still owns retail shops with a total area of 1,841 square meters and 193 car parking spaces available for sale. The Company will sell the said properties according to market conditions.

**COSCO Yihe Garden**

The construction and sales of COSCO Yihe Garden, a project by Shenyang COSCO Yihe, have been progressing well. During the period, Shenyang COSCO Yihe sold a total area of approximately 29,220 square metres of COSCO Yihe Garden. Besides, COSCO Yihe Garden was awarded "2006 遼寧 (瀋陽) 尊貴品牌" (2006 Liaoning (Shenyang) The Best Brand) and "2006 影響瀋陽人生活動的100個品牌" (2006 Top 100 Brands of Influencing Shenyang Residents).

**Sino Ocean Real Estate Development Co., Ltd**

Sino Ocean Real Estate Development Co., Ltd ("SORED"), a jointly controlled entity in which the Company has 20% interest, has been developing numerous property development projects in Beijing, PRC. During the period under review, the Company's share of the results from SORED was approximately HK\$33,066,000 (2005: loss of HK\$7,969,000). The turnaround was mainly attributable to revaluation surpluses from its investment properties. It was expected that major projects currently developed by SORED will be completed in the second half of 2006 and the investments in SORED will bring satisfactory return to the Company.

On 22nd August 2006, the Company, through its wholly-owned subsidiary, Dynamic Class Limited ("Dynamic Class") entered into an agreement with China Ocean Shipping (Group) Company ("COSCO") and Tianjin Ocean Shipping Company ("COSCO Tianjin"), to acquire from COSCO and COSCO Tianjin 20% and 4% interests in SORED for a cash consideration of RMB329,400,000 (equivalent to approximately HK\$321,066,180) and RMB 65,880,000 (equivalent to approximately HK\$64,213,236) respectively. It is expected that the transaction will be completed on or before 31st December 2006. Upon completion, together with another 20% interest in SORED held by Mission Success Limited, another wholly-owned subsidiary of the Company, the Company will own a total of 44% interest in SORED.

**(C) Other Businesses****Disposal of relevant lots of land situated in Kutong, New Territories**

On 18th January 2006, Shun Shing Construction & Engineering Company, Limited, a wholly-owned subsidiary of the Company, as vendor entered into a sales and purchase agreement with an independent third party for the sale of land with lots numbered 233A, 238, 244, 245, 246, 247 and 258 situated in Kutong, New Territories for a total consideration of HK\$13,000,000. The transaction was completed on 17th May 2006.

**Tenancy Agreements relating to the 47th Floor and Unit 4802 of COSCO Tower and the supplemental agreement of 47th Floor Tenancy Agreements of COSCO Tower**

The Company (as tenant) and Tian Lee Property Limited ("Tian Lee"), an indirect wholly-owned subsidiary of COSCO (Hong Kong) Group Limited entered into a tenancy agreement on 30th May 2005 ("47th Floor Tenancy Agreement"). Pursuant to the terms of the 47th Floor Tenancy Agreement, the Company agrees to rent the whole of the 47th floor of COSCO Tower, Grand Millennium Plaza, Hong Kong ("Premises"). On 5th January 2006, a supplemental agreement ("Supplemental Agreement") was entered into between the Company and Tian Lee to amend certain terms of the 47th Floor Tenancy Agreement, whereby Unit 4705 of the Premises was excluded and the subject premises of the 47th floor Tenancy Agreement was changed to Unit 4701-3 and 4706 of the 47th floor, COSCO Tower, Grand Millennium Plaza, Hong Kong from the 47th floor Tenancy Agreement. Pursuant to the Supplemental Agreement, the monthly rental (exclusive of air-conditioning and management charges, Government rates and all other outgoings of a recurring and non-capital nature but inclusive of Government rent) payable by the Company to Tian Lee and the management fee (including air-conditioning charges) has been reduced proportionally with reference to the size of the excluded Unit 4705 and the Premises.

**Disposal of 54% Interest in Henan Xin Zhong Yi Electric Power Co., Ltd**

On 23rd June 2006, New Central International Enterprises Co., Limited ("New Central"), an indirect non wholly-owned subsidiary of the Company, entered into an agreement with 河南省建設投資總公司 (Henan Provincial Investment Company) pursuant to which New Central agreed to sell 54% interest in 河南新中益電力有限公司 (Henan Xin Zhong Yi Electric Power Co., Ltd) ("Henan XZY") for a total consideration of RMB43,800,000 (approximately HK\$42,355,000). It is expected that the transaction will be completed by 31st December 2006. Based on the carrying amount of the investment in Henan XZY as at 31st December 2005, the expected gain to the Company arising from this transaction (after deducting the related transaction costs) will be approximately HK\$12,000,000.

## Disposal of 10% Equity Interest in International Paint of Shanghai Co., Ltd

On 13th September 2006, the Company entered into a share transfer agreement with Shanghai Coatings Company Limited ("Shanghai Coatings"). According to the agreement, the Company agreed to sell to Shanghai Coatings 10% equity interest in International Paint of Shanghai Co., Ltd ("Shanghai IP") for a consideration of RMB39,000,000 (equivalent to approximately HK\$38,110,000). It is expected that the transaction will be completed by 31st December 2006. Based on the carrying amount of the investment in Shanghai IP as at 31st December 2005, the expected gain to the Company arising from this transaction (after deducting the related transaction costs) will be approximately HK\$30,470,000.

## PROSPECTS

Despite the adverse impacts of higher oil prices and interest rate hikes, global economy is expected to grow steadily in the second half of 2006. As long as the economic growth in China Mainland should remain buoyant and China Mainland remains as an important partner in the international trade, it will facilitate the Company and its subsidiaries to run and develop its businesses in ship trading and supplying services. Following the launch of additional new ships, the demand for containers will exceed its supply which consequently drives the demand for coating products. In view of various opportunities mentioned above, on one hand, the Company and its subsidiaries will continue to adopt stringent act and expenditure control measures, and enhance its production efficiency. On the other hand, the Company will expand customer network through pro-active marketing activities, and make improvements in our existing techniques to enhance quality of our products and sell the products at higher price, and will keep on working hard to achieve a better sales performance result.

Looking ahead, the Company and its subsidiaries will continue to position ship trading and supplying services as its strategic development and to dispose of its non-core assets when appropriate. While speeding up its adjustments in the asset structure, with the continuous support of COSCO Group, the Company and its subsidiaries will actively explore into ship trading and supplying businesses, continuously constructing and developing ship trading and developing platform and aims to become the worldwide provider of ship trading and supplying services. Meanwhile, the Company will strive to sustain and enhance the profitability of the on-going development of its existing businesses, bearing in mind the commitment of bringing the best returns for its shareholders.

## FINANCIAL REVIEW

For the six months ended 30th June 2006, the Company and its subsidiaries achieved a turnover of HK\$878,269,000 (2005: HK\$947,008,000), a 7.3% decrease compared with the same period of last year. Gross profit decreased by 13.4% to HK\$211,267,000 (2005: HK\$243,876,000).

The Company and its subsidiaries achieved an operating profit of HK\$109,851,000 (2005: HK\$428,680,000), a 74.4% decrease compared with the same period of last year. Excluding the fair value gains of HK\$700,000 and HK\$300,441,000 recorded in the period and in same period of last year, operating profit decreased by 14.9% as compared with the same period of last year.

Profit attributable to shareholders for the period was HK\$99,770,000 (2005: HK\$369,794,000), excluding the fair value gains of this period and of the same period last year of HK\$700,000 and HK\$300,441,000, profit attributable to equity holders increased by 42.8% as compared with the same period of last year.

## FINANCIAL RESOURCES AND LIQUIDITY

For the six months ended 30th June 2006, equity holders' funds of the Company and its subsidiaries increased by 7.2% to HK\$1,708,270,000 (31st December 2005: HK\$1,593,184,000).

The Company and its subsidiaries had a net repayment of loans from the banks and financial institution of HK\$48,375,000 (2005: HK\$57,060,000) during the period. As at 30th June 2006, total banking facilities available to the Company and its subsidiaries amounted to HK\$488,696,000 (31st December 2005: HK\$482,630,000), of which HK\$101,285,000 (31st December 2005: HK\$149,660,000) had been utilized. The gearing ratio, which represents total borrowings over total assets, was approximately 2% (31st December 2005: 4%).

As at 30th June 2006, the Company and its subsidiaries' borrowings were denominated in Renminbi and carried interest at rates calculated with reference to the Base Rate announced by the People's Bank of China. During the period, the Company and its subsidiaries did not have any financial instruments for hedging purpose.

The maturity and currency profiles of the outstanding loans as at 30th June 2006 are analysed as follows:

	30th June 2006		31st December 2005	
	HK\$'000	%	HK\$'000	%
Classified in accordance with the repayment date:				
Loans repayable				
- Within one year	58,285	100	10,570	10
- In the second year	-	-	96,090	90
	<u>58,285</u>	<u>100</u>	<u>106,660</u>	<u>100</u>
Classified according to types of loan				
- Secured	-	-	-	-
- Unsecured	58,285	100	106,660	100
	<u>58,285</u>	<u>100</u>	<u>106,660</u>	<u>100</u>
Classified in accordance with currency profiles:				
Renminbi Loan	58,285	100	106,660	100
	<u>58,285</u>	<u>100</u>	<u>106,660</u>	<u>100</u>

As at 30th June 2006, the Company and its subsidiaries did not provide securities to a bank in respect of banking facilities granted (2005: Nil).

Cash and bank balances amounted to HK\$1,165,610,000 (31st December 2005: HK\$1,274,085,000) as at 30th June 2006 and accounted for 51% (31st December 2005: 60%) of the current assets of the Company and its subsidiaries.

## EMPLOYEES

As at 30th June 2006, excluding associated companies and jointly controlled entities of the Company, the Company and its subsidiaries had 545 (31st December 2005: 533) employees of whom 112 (31st December 2005: 122) employees are employed in Hong Kong. During the period, staff costs including emoluments and pension costs of directors of the Company and its subsidiaries amounted to HK\$52,008,000 (31st December 2005: HK\$107,856,000). All the staff employed in Hong Kong participated in the Mandatory Provident Fund Scheme.

## PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June 2006.

## 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 pro active investor relations programme.

The audit committee, which comprises three independent non-executive Directors, has reviewed the unaudited interim results of the Company for the six months ended 30th June 2006.

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 set out in Appendix 10 of the Listing Rules. The Company confirms that, having made specific enquiry with all Directors, the Directors have complied with the required standards set out in the Securities Code for the six months ended 30th June 2006.

The Board believed that the Company has during the first half year in 2006 complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules except that Mr. Wei Jiafu, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 25th May 2006 due to his other business commitments.

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

Hong Kong, 18th September 2006

As at the date of this announcement, the Board comprises fourteen Directors of which Mr. Wei Jiafu (Chairman), Mr. Liu Guoyuan (Vice Chairman), Mr. Li Jianhong, Mr. Jia Lianjun, Mr. Wang Xiaoming, Mr. Liang Yanfeng (Managing Director), Mr. Meng Qinghui, Mr. Chen Xuewen, Mr. Lin Libing, Mr. Wang Xiaodong and Mr. Lin Wenjin are executive Directors; and Mr. Chan Cheung Foon, Andrew, Mr. Kwong Che Keung, Gordon and Mr. Tsui Yiu Wa, Alec are independent non-executive Directors.