



中遠國際控股有限公司

COSCO INTERNATIONAL HOLDINGS LIMITED

Press Release

【For Immediate Release】

COSCO International Announces 2006 Interim Results

(SEHK Code: 0517)

Enhances Asset Structure - Explores Growth Opportunities

Summary

- Turnover declined by 7.3% to HK\$878,269,000.
- Unaudited profits attributable to equity holders after tax and minority interests was HK\$99,770,000, decreased by 73.2%; Excluding the fair value gain of HK\$700,000 and HK\$300,441,000 (including the fair value gain from revaluation of the eight floors of COSCO Tower) recorded in the first half of the year and the same period of last year respectively, profit attributable to equity holders for the period increased by 42.8% in real terms;
- Basic earnings per share was HK6.99 cents, decreased by 73.2%;
- Expansion in core business portfolio geographically by setting up two joint-venture companies during the first half of the year to develop coatings market in the Southern China and marine insurance consulting market in China. Good progress in enhancing its asset structure by disposing of its non-core operation of a power plant to accelerate the asset restructuring process
- The Board has recommended an interim dividend payment of HK1 cent per share

(18th September 2006, Hong Kong) COSCO International Holdings Limited (“COSCO International” or the “Company”)(Stock code: 0517) together with its subsidiaries is pleased to announce its interim results for the six months ended 30th June 2006.

During the first half of 2006, the Company and its subsidiaries recorded a turnover of HK\$878,269,000 (2005: HK\$947,008,000), decreased by 7.3% compared to the same period of last year; unaudited profits attributable to equity holders after tax and minority interests was HK\$99,770,000 (2005: HK\$369,794,000), decreased by 73.2%. Excluding the fair value gain of HK\$700,000 and HK\$300,441,000 (including the fair value gain from revaluation of the eight floors of COSCO Tower) recorded in the first half of the year and the same period of last year respectively, profit attributable to equity holders for the period increased by 42.8% in real terms. The Board has recommended an interim dividend payment of HK1 cent per share for the six months ended 30th June 2006. (2005: HK1 cent per share).

In regard to the Company’s performance during the period, Mr. Wei Jiafu, Chairman of the Board of COSCO International, said, “COSCO International has continued to re-engineer its core operations during the first half of 2006. During the review period, the Company established two joint-venture companies to expand its business portfolio into coatings market in the southern China and marine insurance consulting market in China, expanding its businesses into other areas geographically related to the ship trading and supplying services industry in China. We accelerated our pace in business structuring and disposed of a non-core operation of a power plant, making a considerable progress in enhancing our overall asset structure.”

“During the first half of the year, the results from ship trading and supplying services were subject to

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slow-down demand for containers coatings coupled with the soaring oil and raw materials prices. This led to a weaker performance relative to the same period in 2005. However, we have initiated cost control measures in order to enhance its operation and value-creation efficiency, endeavored to offset the effects from lack-luster performance of certain operations over the Company and its subsidiaries as a whole. We have noted a gradual recovery of our partial businesses in the second quarter of the year, and hence we have strived to actively expand our distribution channels and enhance our products and service quality, so as to achieve favourable returns for our shareholders in the whole year.” Chairman Wei continued.

Performance of the Company and its subsidiaries’ key business units during the first half of 2006 are described as below:

Ship Trading and Supplying Services Business

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), dropped 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.

(1) Ship Trading Agency Services

COSCO International Ship Trading Company Limited (“COSCO Ship Trading”), a subsidiary which the Company owns 60%, is principally the sole supplier of ship trading agency services in connection with the ship building, buying and selling, as well as ship chartering to COSCO’s fleets on an exclusive basis and provides 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 (2005: 1,569,000 dead weight tonnages), up 99.94% compared to the corresponding period in the previous year. COSCO Ship Trading is expected to contribute encouraging profit to the Company and its subsidiaries in the second half of the year as more new vessels will be due for delivery.

(2) Marine Insurance Brokerage Services

The Company’s wholly-owned subsidiary, COSCO (Hong Kong) Insurance Brokers Limited (“HK COSCO Insurance Brokers”) is principally engaged in the provision of insurance intermediary businesses in respect of marine insurance and shipowners’ liabilities insurance. The Company also completed the setting up of Shenzhen COSCO Insurance Brokers Limited (“SZ COSCO Insurance Brokers”) during the period, which provides insurance brokerage services to vessels registered in China and flying with national flags in China. During the period, HK COSCO Insurance Brokers and SZ COSCO Insurance Brokers generated a turnover of HK\$20,527,000 (2005: HK\$ HK\$18,512,000), up 10.9% compared to the corresponding period in the previous year. The growth in income is mostly attributable to their proactive business development to solicit new clients hence generating a greater income. Both companies will continue to be proactively engaged in developing new clients to generate greater income for the Company in the second half of the year.

(3) 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 as well as information management



system for land users. During the period, Yuantong recorded a turnover of HK\$144,955,000 (2005: HK\$178,517,000) during the period, down 18.8% compared to the corresponding period in the previous year. This was mainly attributable to the procurement cycle in respect of vessels spare parts and communications and navigation equipments during the period. Yuantong will leverage on its competitive edges in its products and networks to proactively explore new market to get more orders from an enlarging customer base. It will continue to keep abreast of the new building and navigation equipment market and explore new procurement channels to strengthen its competitiveness and to generate satisfactory income for the Company and its subsidiaries.

(4) Production and Sale of Coatings

The Company and its subsidiaries are engaged in the production and sale of the three categories of coatings, including container coatings, marine coatings and industrial anti-corrosion coatings. In view of the recovery of the container coatings business in the second quarter of 2006, the Company's non wholly-owned subsidiary, Shanghai & Tianjin COSCO Kansai Paint & Chemicals Co., Ltd. ("COSCO Kansai"), recorded a total sales of container coating products of 31,981 tonnes (2005:47,009 tonnes) during the period, down 32% compared to the same period of last year. The decrease was attributable to the order reduction of container manufacturing in the second half of 2005. However, the shipping market and container manufacturing market began to recover since April 2006. COSCO Kansai Companies believes a better result in the sale of container coatings in 2006 than 2005 will be achieved.

Due to an increase in demand for industrial anti-corrosion coatings, especially from the constructions, transportation, infrastructure and energy sectors, COSCO Kansai Companies has actively developed the market and expanded the business and the sales of the industrial anti-corrosion coatings, therefore recorded a significant growth in the sales of 40% in the first half of 2006 over the same period of last year.

Marine coatings sales was maintained last year's momentum by Jotun COSCO Marine Coatings (HK) Limited, a jointly controlled entity of which 50%-owned by the Company. It is recorded a sale of 8,640,000 liters, equivalent to approximately 11,234 tonnes (2005: 7,832,000 liters, equivalent to approximately 10,181 tonnes), representing a 10.3% growth over the same period in the previous year.

In order to augment our presence in the coatings market in the Southern China, the Company set up a new joint-venture company, Zhuhai COSCO Kansai Paint & Chemicals Co., Ltd. ("Zhuhai COSCO Kansai"). Zhuhai COSCO Kansai is now constructing a new coatings manufacturing plant in the Zhuhai Harbour Industrial Zone, while operation is scheduled to commence in July 2007. The designed production capacity is 24,000 tonnes, which could be expanded to a maximum annual output of 36,000 tonnes. The Company and its subsidiaries' coatings business, as a result of this new venture, will form a strategic tripartite operating network covering the coastal area of the southern, northern and central China.

Property Development and Investment

In the first half of 2006, the property development and investment of the Company and its subsidiaries recorded a turnover of HK\$185,145,000 (2005: HK\$96,446,000), an increase of 92% compared to the corresponding period in the previous year, which accounted for 21.1% of the Company and its subsidiaries' total turnover in the first half of the year. Profit contribution from property development and investment businesses reached HK\$31,489,000 (2005: HK\$40,209,000), down 21.7% as compared to the same period of last year, which accounted for 28.7% of the Company and its subsidiaries' total segment results in the first half of the year. The increase in



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turnover stemmed from the increase in the units handed to the owners of COSCO Yihe Garden, a property project invested by the Company in Shenyang, China. In addition, as the Company disposed of its asset of eight floors in COSCO Tower in Hong Kong in the second half of last year, rental income from these investment properties decreased relative to the same period of last year.

The Company has 20% stake in a jointly controlled entity, Sino Ocean Real Estate Development Co., Ltd. (“SORED”), which is engaged in the development of numerous property projects in China. During the period, the Company was attributed a profit of HK\$33,066,000 (2005: a loss of HK\$ 7,969,000) from SORED. The profit was mainly due to the revaluation surpluses from the increase in its holdings in the investment properties of SORED. The SORED’s property projects under development is scheduled for completion in the second half of 2006. The Company anticipates a satisfactory return from the investment in SORED for the whole year.

Other Operations

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 agreed to sell a 54% interest in Henan Xin Zhong Yi Electric Power Co., Ltd at a total consideration of RMB43,800,000. It is expected that the transaction will be completed by 31st December 2006. The expected gain to the Group arising from this transaction will be approximately HK\$12,000,000.

Post Balance Sheets Events

The Company announced an acquisition of an additional 24% stake in SORED on 22nd August 2006 with a total consideration of RMB395,280,000. Coupled with the Company’s original 20% stake, COSCO International will hold 44% equity interest in SORED after the completion while at the same time became one of its largest shareholders. The Company is of the view that the acquisition will help generate a stable and sustainable cash flow for the company. The acquisition, which constitutes a major connected transaction under the Listing Rules, shall be subject to the approval by the independent shareholders of the Company.

In addition, the Company agreed to sell its 10% interest in International Paint of Shanghai Co., Ltd. to Shanghai Coatings Company Limited with a total cash consideration of RMB39,000,000. The disposal will contribute a net gain of HK\$30,470,000 to the Company. Apart from the financial gain, the disposal will also reinforce the Company’s development strategy in the specification in the coatings business. The transaction is expected to be completed by the end of December 2006.

Prospects

Regarding the Company and its subsidiaries’ development in the second half of the year, Chairman Wei concluded, “COSCO International will continue to position ship trading and supplying services as its strategic development in the second half of the year. We will proactively accelerate our asset re-engineering process and seek opportunity to dispose of non-core assets. With the support of COSCO Group and capitalizing on opportunities brought forth by the Central Government’s initiative to develop the ship-building and equipment manufacturing industry, we will endeavor to identify quality projects related to ship trading and supplying services both within and outside of the COSCO Group, as well as to develop and construct our services supply platform in a comprehensive manner. Ultimately, our target is to become a unique and professional ship trading and supplying services provider. Meanwhile, the Company will strive to sustain a continued development and enhance the profitability of its existing businesses, bearing in mind the commitment of bringing the best returns for our shareholders.”

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Company Background

COSCO International Holdings Limited has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since February, 1992 (Stock Code: 0517). In recent years, COSCO International focused on its strategic business position on the development of the ship trading and supplying services business. It aims to become a professional and competitive ship trading and supplying services provider. Its core businesses are ship trading & supplying services, other operations include property development and property investment, etc.

Relationship with Parent Company

COSCO International is a listed company owned a subsidiary of by COSCO (Hong Kong) Group Limited, which is a wholly-owned subsidiary of China Ocean Shipping (Group) Company (“COSCO”). COSCO is one of the most recognized multinational conglomerates in the world, which focuses mainly on shipping and logistics businesses as well as other shipping related businesses. COSCO Hong Kong is an overseas regional entity of COSCO Group , operating and managing a few hundred companies in Hong Kong, Macau and the Philippines. The businesses and investment projects span over the major cities of Chinese mainland and Asia. Currently, the main business scope of COSCO Hong Kong includes bulk transportation, ship trading & supplying services, property investment & development, information technology, metal material processing, ship agency, marine fuels and equipment trading and freight services, as well as finance, insurance brokerage, hotel and travel agency business.

Editorial Note

Announcement of the 2006 interim results will be available on Wen Wei Po and The Standard on 19th September 2006. The announcement and press release will also be available on the website of COSCO International: www.coscointl.com.

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