中國遠洋控股股份有限公司

China COSCO Holdings Company Limited

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1919)

2010

ANNUAL REPORT

Important Notice

1. The Board of Directors, the Supervisory Committee, the Directors, Supervisors and Senior Management of the Company declare that there are no false information, misleading statements or material omissions in this report, and collectively and individually accept full responsibility for the truthfulness, accuracy and completeness of the information contained herein.

2. All directors of the Company attended the meeting.

3. RSM China Certified Public Accountants Co., Ltd. and PricewaterhouseCoopers have issued standard and unqualified auditors' reports for the Company.

4. Authorised Persons: Mr. Wei Jiafu, Chairman and Mr. Zhang Liang, President
   Chief Financial Officer: Mr. He Jiale, Chief Financial Officer of the Finance Department
   Accounting Supervisor: Mr. Feng Jinhua, Head of the Financial Department

   Mr. Wei Jiafu (Chairman), Mr. Zhang Liang (President), Mr. He Jiale (Chief Financial Officer of the Finance Department) and Mr. Feng Jinhua (Head of the Financial Department) declare that they confirm the truthfulness and completeness of the financial reports in this report.

5. Is there any occupancy of non-operating funds by controlling shareholders or its related parties?

   No.

6. Is there any guarantees provided to a third-party in violation of stipulated procedures?

   No.

Contents

Company's Basic Information

(1) Company Profile

China COSCO Holdings Company Limited ("China COSCO" or the "Company", together with its subsidiaries, the "Group") was established in the People's Republic of China (the "PRC") on 3 March 2005, and is the capital platform of China Ocean Shipping (Group) Company ("COSCO", together with its subsidiaries, the "COSCO Group"). The Company provides a wide range of services including container shipping, dry bulk shipping, logistics, terminals and container leasing services covering the whole shipping value chain for both international and domestic customers through its various subsidiaries.

The Group operates its container shipping and related businesses through COSCO Container Lines Company Limited ("COSCON"), its wholly-owned subsidiary. As at 31 December 2010, COSCON operates a fleet of 150 vessels in aggregate, totalling 614,092 TEUs, which calls at 144 ports in over 44 countries and regions across the world, and operates on 75 international routes, 9 international feeder service routes, 20 PRC coastal service routes and 70 Pearl River Delta and Yangtze River feeder service routes. COSCON has an extensive sales and services network across the world. As at 31 December 2010, COSCON owned over 400 sales and service points in the PRC and overseas. These global route networks and sales and service networks have enabled the Group to provide quality door-to-door services to its customers.

The Group operates its dry bulk cargo shipping business through COSCO Bulk Carrier Co., Ltd. ("COSCO Bulk"), Qingdao Ocean Shipping Company ("COSCO Qingdao"), COSCO (Hong Kong) Shipping Co., Ltd. ("COSCO HK Shipping") and Shenzhen Ocean Shipping Co., Ltd. ("COSCO Shenzhen"). As at 31 December 2010, the Group operates 450 dry bulk cargo vessels, with a total shipping capacity of 38.56 million DWT, being the world's largest dry bulk cargo fleet.

The Group provides integrated logistics services (including third party logistics shipping agency and freight forwarding) through COSCO Logistics Co., Ltd. ("COSCO Logistics"). COSCO Logistics has established over 400 branch offices in 29 provinces, municipalities and autonomous regions in the PRC, Hong Kong and overseas.

The Group operates its terminal business through COSCO Pacific Limited ("COSCO Pacific", a company listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"), Stock Code: 1199), in which the Company owns approximately 42.72% equity interests. As at 31 December 2010, COSCO Pacific had operated 107 berths in 17 ports in the world, ranking fifth in the world.

The Group operates its container leasing business through Florens Container Holdings Limited ("Florens"), a subsidiary of COSCO Pacific. As at 31 December 2010, Florens owned and managed a container fleet of 1,631,783 TEUs. The container leasing business accounted for approximately 13% of the global market share, ranking third in the world.

In addition, the Company is also engaged in the container manufacturing business through COSCO Pacific's associate China International Marine Containers (Group) Co., Ltd. ("CIMC"), in which COSCO Pacific holds 21.8% equity interest as at 31 December 2010. CIMC is currently the world's largest container manufacturer, accounting for approximately 50% of the market share.

Being the capital platform of COSCO and leveraging its extensive market experience and global advantages, the Group, which is based in the PRC and has global market coverage, continues to enhance its integrated shipping capabilities and expand its logistics services coverage so as to become the leading shipping and logistics supplier in the world.

(2) Company’s Basic Information

Legal Chinese name	中國遠洋控股股份有限公司
Legal Chinese name abbreviation	中國遠洋
Legal English name	China COSCO Holdings Company Limited
Legal English name abbreviation	China COSCO
Legal representative	WEI Jiafu

(3) Contact Persons and Methods

	Secretary to Board of Directors	Representative of securities affairs
Name	ZHANG Yongjian	LIANG Hong, MING Dong
Contact address	3rd Floor, No.1 Tongda Square, Tianjin Port Free Trade Zone, Tianjin, the PRC	3rd Floor, No.1 Tongda Square, Tianjin Port Free Trade Zone, Tianjin, the PRC
Telephone	(022) 66270898	(022) 66270898
Facsimile	(022) 66270899	(022) 66270899
E-mail	investor@chinacosco.com	lianghong@chinacosco.com; mingdong@chinacosco.com

Company's Basic Information

(4) Basic Profile

Registered address	3rd Floor, No.1 Tongda Square, Tianjin Port Free Trade Zone, Tianjin, the PRC
Postal code	300461
Place of business	3rd Floor, No.1 Tongda Square, Tianjin Port Free Trade Zone, Tianjin, the PRC
Postal code	300461
Company's Website	www.chinacosco.com
Company's email	investor@chinacosco.com

(5) Information Disclosure and Place of Collection

Designated newspapers for disclosure of Company's information	Shanghai Securities News, China Securities Journal, Securities Times
Website designated by the China Securities Regulatory Commission for publishing the annual report	www.sse.com.cn (Website for publishing the H share Annual Report: www.hkex.com.hk)
Place of collection of annual report	3rd Floor, No.1 Tongda Square, Tianjin Port Free Trade Zone, Tianjin, the PRC

(6) Shares in the Company

Shares in the Company

Type of share	Place of listing	Share abbreviation	Stock code	Share abbreviation before change
A share	Shanghai Stock Exchange	China COSCO	601919	N/A
H share	Hong Kong Stock Exchange	China COSCO	1919	N/A

Company's Basic Information

(7) Other Information

Initial date of registration	3 March 2005	
Initial place of registration	12th Floor, COSCO Building, 158 Fuxingmennei Avenue, Beijing, the PRC	
First change	Date of registration for subsequent change	5 January 2007
	Place of registration for subsequent change	3rd Floor, No.1 Tongda Square, Tianjin Port Free Trade Zone, Tianjin, the PRC
	Business registration number	Qi Gu Guo Fu Zi No.001179
	Taxation registration number	Jin Di Shui Zi No.120116710933243
	Entity number	710933243
Auditors engaged by the Company	RSM China Certified Public Accountants Co., Ltd and PricewaterhouseCoopers	
Address of auditors	8th-9th Floor, Block A, Corporation Building, 35 Finance Street, Xicheng District, Beijing and 22nd Floor, Prince's Building, Central, Hong Kong	
Other information	Place of business in Hong Kong 49/F, COSCO Tower, 183 Queen's Road Central, Hong Kong	
	Major bankers Bank of China Industrial and Commercial Bank of China China Merchants Bank	
	Legal advisers As to Hong Kong law Paul, Hastings, Janofsky & Walker 22/F, Bank of China Tower, 1 Garden Road, Hong Kong	
	As to PRC law Commerce and Finance Law Offices 6th Floor, NCI Tower, A12 Jianguomenwai Avenue, Beijing	
	Domestic A share registrar and transfer office China Securities Depository and Clearing Corporation Limited, Shanghai Branch 36th Floor, China Insurance Building,166 Luijiazui Road East, Pudong New District, Shanghai	
	Hong Kong H share registrar and transfer office Computershare Hong Kong Investor Services Limited Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong	

Company's Basic Information
(8) Major Events in 2010

January

COSCON was awarded the "Best Foreign Trade Service Provider of China 2009" (2009中國最受青睞的外貿服務商) by the "IMP-EMP EXECUTIVE" (進出口經理人) magazine.

February

China COSCO was named as the "Best Asian Shipping Line 2009/2010" (2009/2010年亞洲最佳航運公司) by Euromoney, an internationally-renowned magazine.

March

COSCO Logistics and PetroChina Huhhot Petrochemical Company entered into the logistics service strategic cooperation framework agreement for the refining capacity expansion project of 5 million tons per year.

April

COSCO Logistics successfully shipped the first batch of AP1000 (3rd generation) nuclear system sets in the world, which broke the land transportation record of ultra-wide cargo in China.

COSCO Logistics and Dow Chemical entered into the strategic cooperation memorandum in Beijing.

CKYH Alliance successfully held the 2010 summit.

China COSCO announced its final results of 2009.

COSCON was listed as "Five Stars Shipping Company" (五星級船公司) in the "2009 6th Shipping Star Award" (2009年第六屆中國船港服務星光榜) and was ranked No. 1 for two consecutive years.

China COSCO announced its results of the first quarter of 2010.

COSCON was granted the Green Flag of 2009 by the Port Authority of Long Beach in the United States. COSCON has fulfilled the environmental protection requirements and won the Green Flag for five consecutive years since the Port Authority of Long Beach implemented the green environmental protection project in 2005.

May

COSCO Logistics undertook to operate Container Cargo "Five Scheduled" (五定) Block Train on Chongqing-Shenzhen Line which is the first high-speed container cargo railway delivery service in China.

China COSCO was awarded the "Best 20 Listed Companies with Social Contribution in China's Securities Market in the Last 20 Years" (中國證券市場20年20家最富社會責任感上市公司).

Company's Basic Information

(8) Major Events in 2010

June	China COSCO was ranked 450th in the FT Global 500 of Financial Times. This is the third consecutive year for China COSCO be ranked since 2008.
	China COSCO held the 2009 Annual General Meeting in Beijing and Hong Kong.
	COSCON was named "Best Carrier of 2010"(2010年年度最佳船公司)by Canadian International Freight Forwarders Association ("CIFFA") for the first time. COSCON was also awarded "The Best Carrier for Fast East Service in 2010"(2010遠東航線最佳承運人)for the ninth consecutive year.
July	The naming ceremony of "Tian Fu He", a ship of of COSCON, was held in "Jiangnan Changxing Heavy Industry"(江南長興重工).
	COSCO Logistics successfully delivered the longest equipment in China by ship and road transportation.
August	Zhang Yongjian, Secretary to the Board of Directors of China COSCO, was named "The 6th Session New Fortune Golden Secretary to the Board of Directors"(第六屆新財富金牌董秘).
	China COSCO announced its interim results of 2010.
September	COSCO Logistics successfully shipped the first batch of AP1000 (3rd generation) nuclear system sets in the world, which broke the land transportation record of ultra-high cargo in China again.
October	COSCON launched the carbon emission calculator.
	China COSCO announced its results of the third quarter of 2010.

Company's Basic Information

(8) Major Events in 2010

November

The Tianjin Branch of China Securities Regulatory Commission conducted an on-site inspection of the compliance of China COSCO, which was the first comprehensive operation inspection conducted by regulatory body since the listing of China COSCO.

In the "6th China International Logistics Fair" (第六屆中國國際物流節), COSCO Logistics was selected as one of the "10 Most Influential PRC Logistic Enterprises of 2010" (2010中國物流十大影響力企業), "100 Top PRC Logistic Enterprises in Terms of Brand Value in 2010" (2010中國物流品牌價值百強企業) and the "Best Logistics Solution Award in 2010" (2010物流經典解決方案獎).

China COSCO was awarded "Top 100 A-share Companies with Best Investor Relationship in China of the Year" (年度中國A股公司最佳投資者關係管理百強) and "Best IR Innovation Award" (最佳IR創新獎) in the "2010 Annual Conference of Investor Relationship in China" (2010中國投資者關係年會).

COSCO Logistics successfully delivered the widest cargo by land transportation in China.

December

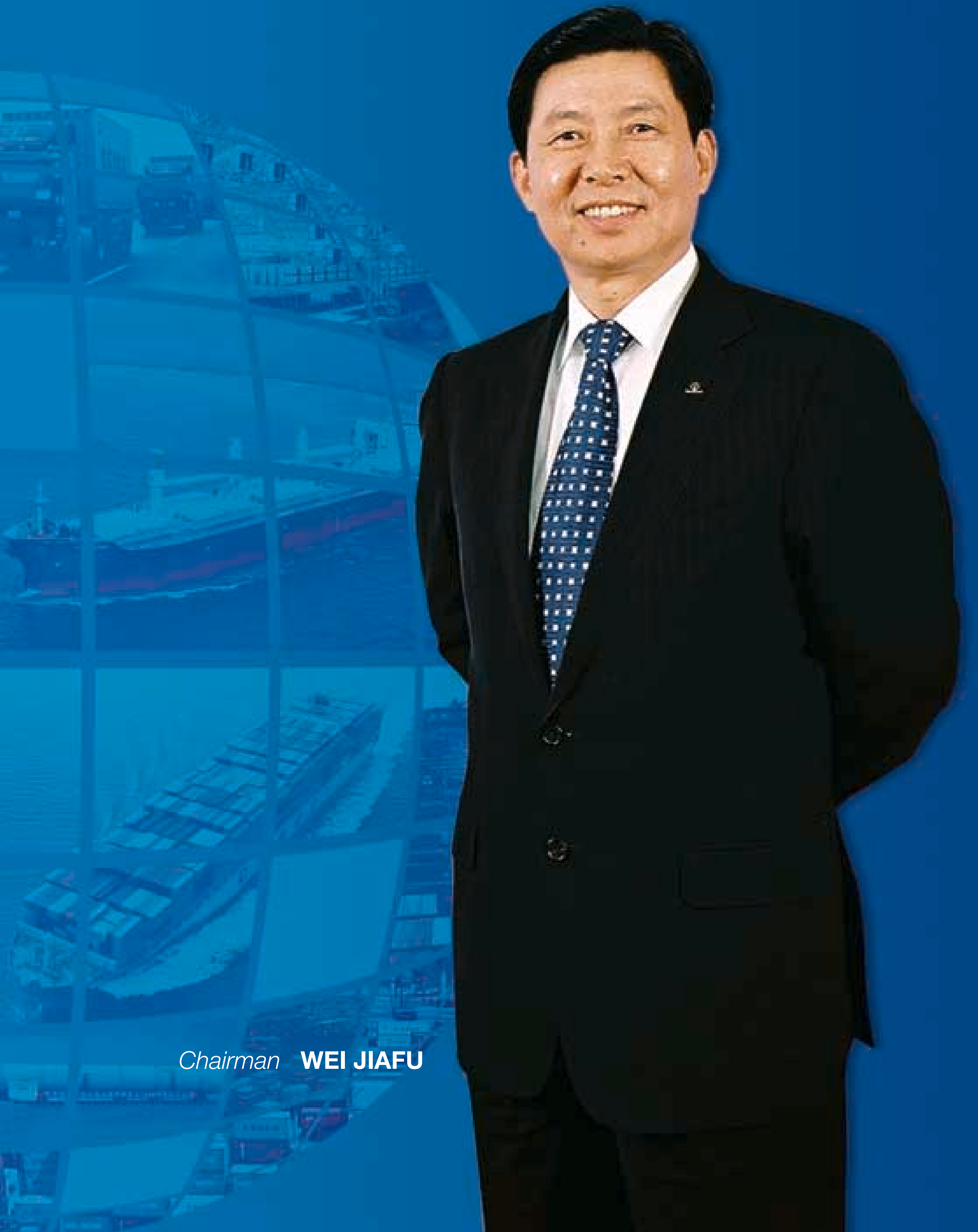
COSCO Bulk was awarded "Top Agent" (頂級代理) award from Carrier Corporation of the United States.

China COSCO held the launching ceremony of internal control system.

China COSCO held the first Extraordinary General Meeting of 2010 in Beijing and Hong Kong.

China COSCO was awarded "2010 Board of Directors Award" (2010年度董事會獎) and "2010 Excellent Independent Director" (2010年度優秀獨立董事獎) in the "9th China Corporate Governance Forum" (第九屆中國治理公司論壇) held by the Shanghai Stock Exchange.

Chairman's Statement



Chairman **WEI JIAFU**

Chairman's Statement

Dear Shareholders,

First of all, I would like to take this opportunity to express my heart-felt gratitude to all Shareholders for your care and support to the Group. I also wish to extend my sincere gratitude to all directors, supervisors, members of the senior management and diligent staff of our Group for their dedicated efforts during the past year.

The world economy saw a recovery with fluctuations in 2010. Despite the inflation pressure, overall economic development in China remained sound with stable growth in industrial production, consumption and investment with strong growth in import and export. The higher growth of import than export has helped to boost the numbers of incoming containers. Benefitted from the recovering shipping market, China COSCO recorded a significant improvement in results of 2010.

During the period under review, the Group's revenue was RMB96,438,544,000, representing a significant 40.9% increase from 2009, and the net profit attributable to equity holders of the parent company amounted to RMB6,858,465,000, representing an increase of 191.8% as compared with the same period of last year. The Board recommended a final dividend of RMB0.09 per share and the dividend payout ratio was 28.3% of the net profit used for dividend distribution of the year.

During the period under review, the completed shipping volume of the Group's container shipping and related business was 6,215,371 TEUs, representing an increase of approximately 18.7% compared to 2009. Revenue from operations was RMB46,312,273,000, representing an increase of 68.3% from the same period last year.

The container shipping business of the Group carried out the restructure of its shipping capacity and raised its freight rates. The Group sought to secure more cargos with high profit margin and to offer more value-added services. The increase in container fleet was far lower than the increase of cargo volume as the Group optimised the allocation of containers. The Group promoted the application of e-commerce to grow its business with low carbon emission as an environmental-friendly member of the CKYH Green Alliance.

During the period under review, 16 new container vessels were delivered for operation with an aggregate capacity of 101,313 TEUs. There was no new vessel order placed in 2010. As at the end of 2010, the Group had 38 container vessel orders, representing a total of 313,526 TEUs, which will be delivered from 2011 to 2013.

Chairman's Statement

During the period under review, the shipping volume of the Group's dry bulk shipping business amounted to 280.1 million tons in 2010, representing an increase of 3.15% over the same period last year. Dry bulk shipment turnover was 1.42 trillion ton-nautical miles, representing an increase of 1.43% over the same period last year. Of the total dry bulk shipment turnover, coal shipping volume amounted to 88.75 million tons, representing an increase of 4.25% over the same period last year; metal ore shipping volume amounted to 128.57 million tons, representing an increase of 5% over the same period last year; and shipping volume of other cargoes amounted to 62.78 million tons, representing a decrease of 1.9% over the same period last year. Revenue from operations was RMB32,776,958,000, representing an increase of 19.8% from the same period last year.

The Group has developed its dry bulk shipping business in a way to generate profits by leveraging high market prices and lowering operating risks through continuous expansion and effective hedging measures. The Group has been devoted to enhancing development of new market, new cargos and new port. Effective management was also promoted to lower major costs and improve efficiency of single shipment.

As at 31 December 2010, the Group operated 450 dry bulk vessels (38,560,000 DWT), and remained as a global leader in terms of dry bulk fleet size.

During the period under review, the logistics business of the Group aimed to become an "international integrated logistics service provider with best profitability" (最具贏利能力的國際化整合物流服務商) through accelerating corporate transformation. High-end logistics business has achieved an important breakthrough which further consolidated our leading industrial advantages. With respect to project logistics segment, the turnover of which for 2010 recorded an increase of 24% when compared to 2009 as certain material projects have commenced operations. With respect to product logistics segment, in 2010, the turnover of chemical logistics increased by 31%, while the business volume of home appliance logistics increased by 56%.

The shipping agency business and freight forwarding business also recorded steady growth.

During the period under review, the port business of the Group achieved satisfactory results and the throughputs amounted to 48.52 million TEUs, representing an increase of 19.4% when compared to 2009. Among which, throughputs of ports in the Pearl River Delta and southeast coastal regions increased by 20.9% as compared with the corresponding period last year and throughputs in Piraeus Port in Greece amounted to 685,000 TEUs.

Chairman's Statement

As at 31 December 2010, the Group held equity interests in 27 terminal joint-ventures, 145 berths, and 6 terminals controlled by the Group. Currently, the market share of container terminal business of the Group in global terminal market is around 6.9% and its ranking as the fifth largest global terminal operator is maintained.

As for container leasing, the Group continued its after-sales entrustment management model with the combination of owned containers and managed containers, and developed its owned container fleets steadily. The Group continued to be ranked as the third largest container leasing company in the world. The average container leasing rate throughout 2010 was 97.3%, which remained higher than that of its peers.

In addition to the significant growth in results, China COSCO also won recognition in the capital market. In 2010, China COSCO was awarded as one of the ten "2010 Board of Directors Awards"(2010年度董事會獎) in the "Election of the Best Board of Directors in the 20th Anniversary of China Capital Market"(中國資本市場20周年最佳董事會評選) out of a thousand of nominees by the Shanghai Stock Exchange. Besides, China COSCO also received awards including "Best 20 Listed Companies with Social Contribution in China's Securities Market in the last 20 years"(中國證券市場20年20家最富社會責任感上市公司), "Top 100 A-share Companies with Best Investor Relationship in China of the Year"(年度中國A股公司最佳投資者關係管理百強) and "Best IR Innovation Award"(最佳IR創新獎), which showed that China COSCO was well recognized by the capital market.

According to the forecast by International Monetary Fund conducted on 25 January, the growth rate of the global economy in 2011 is expected to be 4.4%. The emerging and developing economies will continue to act as the driving engines in the recovery of global economy. According to the government report of Wen Jiabao, the prime minister, the growth rate of China's economy is expected to reach 8% in 2011. The global shipping market will continue to revive in line with the world economy with fluctuations.

The container shipping market is expected to be optimistic in 2011 and remains its rapid growth in 2010. In respect of dry bulk shipping, although the excessive capacity of container vessel is a challenge to the operation of dry bulk vessels, the shipping volume is expected to keep increasing. The logistics industry will further grow and profitability of high-end logistics will also improve steadily, while the port business will continue its recovery momentum.

2011 is the first year to implement the "Twelfth Five-Year Plan"(十二五規劃) in China. According to the next ten years' planning of China COSCO, we aim to become a world-class shipping enterprise through our integrated system.

I believe our operating teams are capable to maximize operating efficiency, corporate values and returns for shareholders with their intelligence, capabilities and endeavours. As the platform to transform into a profitable group, the Group will cope with future challenges in an innovative and proactive way.

Wei Jiafu
Chairman

30 March 2011

Summary of Accounting Data

Results for the year ended 31 December 2010 prepared under the Hong Kong Financial Reporting Standards ("HKFRSs")

	Year ended 31 December 2010 (RMB'000)	Year ended 31 December 2009 (RMB'000)	Changes
Revenues	**96,438,544**	68,462,514	40.9%
Operating profit/(loss)	**7,712,925**	(6,408,363)	220.4%
Profit/(loss) before income tax expenses	**9,273,602**	(6,213,500)	249.3%
Profit/(loss) attributable to equity holders of the Company	**6,858,465**	(7,467,812)	191.8%
Basic and diluted earnings/(loss) per share (RMB)	**0.6713**	(0.7310)	191.8%
Final dividend per share (RMB)	**0.09**	—	
Final dividend payout ratio	**28.3%**	—	
Total assets	**149,541,815**	137,741,303	8.6%
Total liabilities	**88,565,978**	85,156,488	4.0%
Non-controlling interests	**14,467,284**	10,592,472	36.6%
Equity attributable to the equity holders of the Company	**46,508,553**	41,992,343	10.8%
Net debt to equity ratio	**23.4%**	30.9%	
Gross profit margin	**12.8%**	-5.7%	

Summary of Accounting Data

Differences between financial information reported under HKFRSs and the China Accounting Standards ("CAS") issued by the Ministry of Finance of the PRC

	Consolidated net profit attributable to equity holders of the Company for the year ended 31 December 2010 RMB'000	Consolidated equity attributable to equity holders of the Company as at 31 December 2010 RMB'000
As prepared under CAS	6,760,957	47,752,465
1. Difference in recognition of cost basis of assets	810	220,085
2. Difference in recognition and treatment on functional currency	89,505	(1,463,997)
3. Difference in recognition of prior year adjustment to the non-controlling interests	7,193	—
Total differences	97,508	(1,243,912)
As prepared under HKFRSs	6,858,465	46,508,553

Notes:

1. In the HKFRS financial statements, assets are stated at historical cost less amortisation while under CAS financial statements assets are carried at revalued amount less amortisation.

2. In the HKFRS financial statements, US Dollar is determined as the functional currency of certain PRC subsidiaries of the Group, and RMB is the presentation currency for presentation of financial statements, whereas RMB is the functional currency and the financial statements presentation currency in the CAS financial statements.

3. In accordance with CAS Interpretation No. 4, the Group has made a prior year adjustment to the non-controlling interests and the equity attributable to the shareholders of the Company in the CAS financial statements. Since the amount was insignificant to the HKFRS financial statements, it was reflected in the current year results. The difference will have no impact to 2011 and subsequent years.

Changes in Equity and Shareholders Information

(I) Changes in Equity

1. Table of changes in shares

Unit: share

		Before such change		Increase/decrease (+/-)		After such change	
		Number of shares	Percentage of shareholding (%)	Other	Sub-total	Number of shares	Percentage of shareholding (%)
1.	Shares subject to selling restrictions	5,472,806,911	53.57	-5,313,082,844	-5,313,082,844	159,724,067	1.56
i.	held by State	159,724,067	1.56	—	—	159,724,067	1.56
ii.	held by state owned legal person	5,313,082,844	52.01	-5,313,082,844	-5,313,082,844	—	0.00
2.	Outstanding shares not subject to selling restrictions	4,743,467,446	46.43	5,313,082,844	5,313,082,844	10,056,550,290	98.44
i.	RMB ordinary shares	2,162,867,446	21.17	5,313,082,844	5,313,082,844	7,475,950,290	73.18
ii.	overseas listed foreign shares	2,580,600,000	25.26	—	—	2,580,600,000	25.26
3.	Total	10,216,274,357	100.00	—	—	10,216,274,357	100.00

Approval of changes in shares

Not applicable.

Transfer regarding changes in shares

Not applicable.

Effects of changes in shares on financial data of the current year and current period, such as earning per share and net asset per share

Not applicable.

Other information which the Company considers necessary or required to be disclosed by any securities regulatory authorities

Such change in equity relates to the release of shares subject to selling restrictions held by China Ocean Shipping (Group) Company, the controlling shareholder of the Company. Please refer to an announcement of the Company dated 22 December 2010 for details of such change.

2. Changes in shares subject to selling restrictions

Unit: share

Name of shareholder	Number of shares subject to selling restrictions at the beginning of the year	Number of shares subject to selling restrictions released during the year	Number of shares subject to selling restrictions increased during the year	Number of shares subject to selling restrictions at the end of the year	Reason of selling restriction	Dated of release of selling restriction
China Ocean Shipping (Group) Company	5,313,082,844	5,313,082,844	—	—	Restriction upon issue	29 December 2010

(II) Issue and listing of securities

1. Issue of securities in the last three years

Unit: share
Currency: RMB

Type of shares and respective security derivatives	Date of issue	Issue price ($)	Number of shares issued	Date of listing	Number of tradable shares approved	End of trading date
Shares						
H share issue	29 June 2005	HK$4.25	2,244,000,000	30 June 2005	2,580,600,000 shares listed and traded on Main Board of Hong Kong Stock Exchange	N/A
Bonus share issue	29 May 2007	N/A	930,713,450	29 May 2007	336,600,000 H shares listed and traded on Main Board of Hong Kong Stock Exchange	N/A
A share issue	25 June 2007	RMB8.48	1,783,867,446	26 June 2007	In such issue, 891,933,000 shares were listed and traded on 26 June 2007; 356,934,446 shares were listed and traded on 26 September 2007; and 535,000,000 shares were listed and traded on 26 June 2008	N/A

Changes in Equity and Shareholders Information

Type of shares and respective security derivatives	Date of issue	Issue price ($)	Number of shares issued	Date of listing	Number of tradable shares approved	End of trading date
Additional issue to COSCO	19 December 2007	RMB18.49	864,270,817	To be listed and traded on 19 December 2010	864,270,817	N/A
Additional issue to strategic investors, including COSCO	28 December 2007	RMB30	432,666,307	29 December 2008	In such issue, 379,000,000 shares were listed and traded on 29 December 2008, while shares issued to COSCO will be listed and traded on 29 December 2010	N/A

2. Changes in total number and structure of shares of the Company

During the reporting period, there were no bonus share issuance or placings. Hence, there was no change in total number and structure of shares of the Company. Please refer to "Changes in shares subject to selling restrictions" for details of the release of selling restriction of shares.

3. Existing internal employee shares

The Company did not have any internal employee shares during the reporting period.

Changes in Equity and Shareholders Information

(III) Shareholder and effective controller

1. Number of shareholders and their shareholding

Unit: share

Total number of shareholders at the end of the reporting period	421,590

Shareholdings of the top 10 shareholders

Name of shareholder	Nature of shareholders	Percentage of shareholding (%)	Total number of shares held	Increase/ decrease during the reporting period	Number of shares subject to selling restrictions	Number of shares pledged or frozen
China Ocean Shipping (Group) Company	State owned legal person	52.01	5,313,082,844	0	0	Nil
HKSCC NOMINEES LIMITED	Other (H share)	25.16	2,570,076,095	24,883,949	0	Unknown
National Council for Social Security Fund (Subsidiary Shareholder)	State-owned	1.75	178,386,745	0	159,724,067	Nil
China National Nuclear (Group) Corporation	Other	0.7	72,000,000	0	0	Nil
Sinochem Corporation	Other	0.39	40,000,000	0	0	Nil
Communication Bank – E Funds 50 Indices Securities Investment Fund	Other	0.34	34,812,235	17,170,041		Nil
Minmetals Investment & Development Co. Ltd.	Other	0.30	31,000,000	0	0	Nil
China Energy Conservation Investment Corporation	Other	0.23	23,500,000	0	0	Nil
China Construction Bank – Great Wall Brand Prime Equity Securities	Other	0.22	22,409,291	732,456	0	Nil
Aerospace Science & Technology Finance Co., Ltd.	Other	0.22	22,044,941	-17,955,059	0	Nil
Industrial and Commercial Bank of China – Shanghai Stock Exchange 50 Exchange Traded Fund	Other	0.20	20,745,082	-783,678	0	Nil

Changes in Equity and Shareholders Information

Shareholdings of the top 10 holders of share not subject to selling restrictions

Name of shareholder	Number of shares not subject to selling restrictions	Type and number of shares
China Ocean Shipping (Group) Company	5,313,082,844	RMB ordinary shares
HKSCC NOMINEES LIMITED	2,570,076,095	Overseas listed foreign shares
China National Nuclear (Group) Corporation	72,000,000	RMB ordinary shares
Sinchem Corporation	40,000,000	RMB ordinary shares
Communication Bank – E Funds 50 Indices Securities Investment Fund	34,812,235	RMB ordinary shares
Minmetals Investment & Development Co. Ltd.	31,000,000	RMB ordinary shares
China Energy Conservation Investment Corporation	23,500,000	RMB ordinary shares
China Construction Bank – Great Wall Brand Prime Equity Securities	22,409,291	RMB ordinary shares
Aerospace Science & Technology Finance Co., Ltd.	22,044,941	RMB ordinary shares
Industrial and Commercial Bank of China – Shanghai Stock Exchange 50 Exchange Traded Fund	20,745,082	RMB ordinary shares
Beijing Capital Investment & Guarantee Co., Ltd.	20,000,000	RMB ordinary shares
Related parties or persons acting in concert of the above shareholders	Unknown	

Note: As at 31 December 2010, China Ocean Shipping (Group) Company holds 81,179,500 H shares, representing 3.15% of total H shares in issue. It is included in the shares held by HKSCC Nominee Limited. China Ocean Shipping (Group) Company and its subsidiaries in aggregate held 52.80% shares of the Company.

The number of shares held by the top ten shareholders holding shares subject to selling restrictions and the respective selling restrictions

Unit: share

Serial No.	Name of holders of share subject to selling restrictions	Number of shares subject to selling restrictions	Tradable shares subject to selling restrictions: Trading date	Tradable shares subject to selling restrictions: Number of additional tradable shares	Selling restrictions
1	National Council for Social Security Fund (Subsidiary Shareholder)	159,724,067	December 2012	159,724,067	Restriction upon transfer
Related parties or persons acting in concert of the above shareholders		N/A			

Strategic investors or ordinary legal persons becoming top ten shareholders as a result of participating in the placing of new shares

Not applicable.

4. Controlling shareholder and effective controller

(1) Specific description of controlling shareholder and effective controller

The controlling shareholder of the Company is China Ocean Shipping (Group) Company and the effective controller of the Company is the State-owned Assets Supervision and Administration Commission of the State Council.

(2) Controlling shareholder

○ Legal person

Unit: share
Currency: RMB

Name	China Ocean Shipping (Group) Company
Person in charge or legal representative	Wei Jiafu
Date of incorporation	27 April 1961
Registered capital	4,103,367,000
Principal business operations or management activities	China Ocean Shipping (Group) Company is one of the mega-size state-owned enterprises under the State-owned Assets Supervision and Administration Commission of the State Council. Apart from the business operated by our Group, the main business currently operated by COSCO Group also includes operations of oil tankers and other liquefied bulk cargo shipping, general cargo and special vessel shipping, ship repair and retrofit, ship building, provision of vessel fuels, financial services, ship trading service and the provision of seaman and ship management services, etc.

(3) Effective controller

○ Legal person

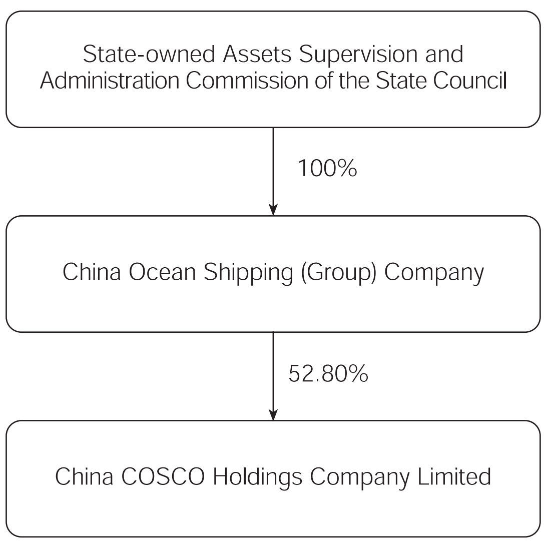
Unit: share
Currency: RMB

Name	State-owned Assets Supervision and Administration Commission of the State Council
Person in charge or legal representative	N/A
Date of incorporation	N/A
Registered capital	N/A
Principal business operations or management activities	N/A

(4) Changes in controlling shareholder and effective controller

During the reporting period, there was no change in the Company's controlling shareholder and the effective controller.

Diagram showing equities and controlling relationship between the Company and effective controller



Companies controlled by effective controller through trust or other asset management

Not applicable.

5. Other corporate shareholders holding 10%or above shares

Not applicable.

(IV) Convertible debentures

Not applicable.

Directors, Supervisors, Senior Management

Major working experiences of directors, supervisors and senior management of the Company in the recent five years are as follows:

WEI Jiafu（魏家福）

Mr. WEI, aged 61, is currently an executive director, the chairman and CEO of the Company. Mr. Wei has been the president of COSCO since 1998 and is the chairman of the board of COSCO Boao and COSCO HK and the vice chairman of the board of China Merchants Bank. Mr. Wei was the general manager of Sino-Tanzania Joint Shipping Company, COSCO Holding (Singapore) Pte Ltd, COSCO Tianjin and COSCO Bulk, the chairman of COSCON, the chairman of the board of COSCO Pacific, COSCO Investment (Singapore) and COSCO International. Mr. Wei was a marine captain and has over 40 years of experience in navigation and international shipping business. He has excellent business decision-making abilities and substantial capital markets experience. Both COSCO Pacific and COSCO Investment (Singapore), with which Mr. Wei worked, are overseas blue chip listed companies. Mr. Wei is currently the leader of several society organizations, including China Shipowners' Association, China Shipowner's Mutual Assurance Association, The China Association of Trade in Services and China Federation of Industrial Economics. Mr. Wei obtained his doctorate degree from Tianjin University and his master degree from Dalian Maritime University. He is also a senior engineer. In 1999, he was awarded the honour of special contribution to the State. He was awarded "Top 30 Influential People in Economy in 30 Years of Chinese Reform and Opening", "60 People in Chinese Shipping History", "Top 60 Influential People in China Economy in 60 Years of Top 100 People in China Economy", "Business Leaders in China Economy in Recent Decade" of CCTV and "The 25 Most Influential Corporate Leaders in China". Mr. Wei is also a committee member of the Central Disciplinary Committee of the 16th and 17th session of the Communist Party of China.

ZHANG Fusheng（張富生）

Mr. ZHANG, aged 61, is currently a non-executive director and the vice-chairman of the Company. Mr. Zhang has been the secretary of the CPC subcommittee and an executive vice president of COSCO since 2002 and is the chairman of board of COSCO International and the director of China Bohai Bank. Mr. Zhang was a deputy director of the No. 1 Division of Tianjin Port Authority, deputy director of personnel and labour department of MOC, director of institutional reform and regulatory department of MOC (spokesman of MOC), the vice president of the Beijing branch of Bank of Communications, the secretary of the CPC subcommittee of COSCON and COSCO Shanghai, and the executive director of COSCO Pacific. Mr. Zhang has over 40 years of experience in the administration and management of shipping companies and financial management. Mr. Zhang is an expert in management and his extensive experience has enabled him to demonstrate outstanding leadership qualities throughout the course of development of the COSCO Group. He was awarded

"Top 10 People in Human Resources Management in China". Mr. Zhang obtained a master degree in transportation management and engineering from Wuhan University of Communications and Science and is a senior engineer. Mr. Zhang was elected as a member of the 10th and 11th session of the National People's Congress of the PRC, and is a member of the Foreign Affairs Committee of the 11th session of the NPC.

ZHANG Liang（張良）

Mr. ZHANG, aged 57, is currently an executive director and the President of the Company. Mr. Zhang has been an executive vice president of COSCO since 2006 and is the chairman of COSCO Bulk, COSCO Qingdao, COSCO Logistics and COSCO Shenzhen. He was the chairman of the board of Hong Kong Maritime. He was the managing director of the personnel department, assistant to the general manager, as well as deputy general manager (and safety control manager) of COSCO Tianjin, deputy general manager of COSCO Bulk, general manager of COSCO Tianjin, general manager of COSCO Bulk and chief legal consultant of COSCO. Mr. Zhang was a marine captain of COSCO Shipping. He has over 30 years of experience in the shipping industry and has extensive experience in corporate operations and management. Mr. Zhang is currently the vice chairman of China Navigation Society and China Association of Port-of-entry. He graduated from Dalian Maritime University, majoring in navigation and had obtained his master degree in transportation planning and management from Shanghai Maritime University as well as his doctorate degree in corporate management from Nan Kai University. He is a senior engineer.

LI Jianhong（李建紅）

Mr. LI, aged 54, was a non-executive director of the Company before 28 October 2010. When Mr. Li was working for COSCO, he has been the general manager of Nantong Shipyard and general manager of COSCO Industry Co., Ltd. and COSCO Property Ltd., assistant to president, chief commercial officer and vice president of COSCO. Mr. Li has over 30 years of experience in corporate management. He has extensive experience in asset management and capital operation. Mr. Li graduated from the University of East London in the United Kingdom with a master's degree in Business Administration and holds a master's degree in Business Administration from Jilin University. He is a senior economist.

XU Lirong（許立榮）

Mr. XU, aged 53, is currently a non-executive director of the Company. Mr. Xu has been the executive vice-president and chairman of the labour union of COSCO since 2006, the chairman of COSCO Shipping Co., Ltd, COSCON, China Marine Bunker (Petro China) Co., Ltd., COSCO Americas, Inc. and COSCO Europe GmbH and the chairman of COSCO Pacific. He was the marine captain of COSCO Shanghai, the general manager of Shanghai International Freight Forwarding Company, the deputy general manager of COSCO Shanghai, the president of Shanghai Shipping Exchange, the managing director of COSCON and the executive vice president of the Company. Mr. Xu has over 30 years of experience in the shipping industry and has extensive experience in corporate management. Mr. Xu obtained his master degree in business administration from Shanghai Maritime University and the Maastricht School of Management in Netherlands. He is a senior engineer.

Directors, Supervisors, Senior Management

SUN Yueying（孫月英）

Ms. SUN, aged 52, is currently a non-executive director of the Company. Ms. Sun has been the chief accountant of COSCO since 2000 and is the chairman of COSCO Finance and COSCO Japan, the executive director of China Merchants Bank and China Merchants Securities. Ms. Sun was the vice director of the finance department of COSCO Tianjin, the finance manager of COSCO Japan, the general manager of the finance and capital division and the deputy chief accountant of COSCO. Ms. Sun has over 30 years of experience in the shipping industry and extensive experience in corporate financial management. Ms. Sun graduated from Shanghai Maritime University majoring in shipping finance and accounting, and holds an Executive MBA degree from University of International Business and Economics. She is a certified accountant and a senior accountant.

CHEN Hongsheng（陳洪生）

Mr. CHEN, aged 61, is currently a non-executive director of the Company. Mr. Chen has been the director and vice president of COSCO HK since 2009. Mr. Chen was the deputy general manager of Penavico Nantong Branch Company, general manager of shipping department of Penavico, general manager of COSCO Beijing International Freight Forwarding Company, deputy general manager of COSCO International Freight Forwarding Company, deputy general manager of COSCO Container Lines, general manager of COSCO International Freight Forwarding Company, deputy general manager of COSCON, vice president of COSCO, executive director and general manager of the Company. He has over 30 years of experience in the shipping industry with extensive experience in enterprise operation and management. Mr. Chen graduated from Sichuan Foreign Language College with major in English and Capital University of Economics and Business in postgraduate studies in business administration. He is a senior economist. He has been awarded the honour of special contribution to the State in 1995.

LI Boxi（李泊溪）

Ms. LI, aged 75, is currently an independent nonexecutive director of the Company. Ms. Li was an executive member and head of the development forecast division of the Development Research Center of the State Council of the PRC. She is currently a researcher of the Development Research Centre of the State Council of the PRC, specializing in technical economics, quantitative economics, development strategy and policy. Ms Li had long been involved in the research on country development strategy and corporate development strategy. Her research results are innovative, which have significant influence inside and outside of the PRC. Ms. Li was elected as a member of the 7th and 8th National People's Congress of the PRC. She is currently a part-time professor of Nan Kai University and the chief strategic development consultant of the Real Estate Association of All-China Federation of Industry & Commerce. She is among the first group of experts who have been recognized for their special contribution to the State.

Directors, Supervisors, Senior Management

Alexander Reid HAMILTON（韓武敦）

Mr. HAMILTON, aged 69, is currently an independent non-executive director of the Company. Mr. Hamilton is currently an independent non-executive director of three Hong Kong listed companies (which include CITIC Pacific Limited, Esprit Holdings Limited and Shangri-La Asia Limited) and a director of a number of Hong Kong private companies. He was an independent non-executive director of COSCO Pacific from 1994 to 2005 and was the independent non-executive director of COSCO International from 1997 to 2004. He was also the chairman of the audit committee of COSCO Pacific. He had been a partner of PricewaterhouseCoopers, with whom he practised for 16 years.

CHENG Mo Chi（鄭慕智）

Mr. CHENG, aged 61, is currently an independent non-executive director of the Company. Mr. Cheng is an independent non-executive director of various listed companies in Hong Kong, such as Hong Kong Exchanges and Clearing Limited and China Mobile (Hong Kong) Limited). He is a non-executive director of a number of Hong Kong listed companies (which include City Telecom (H.K.) Limited and Guangdong Investment Limited). Mr. Cheng is a practicing solicitor, and is a senior partner of P.C. Woo & Co. He was also a founding chairman of The Hong Kong Institute of Directors and is currently its honourable president and chairman emeritus. Mr. Cheng was a member of the Legislative Council and the chairman of the Main Board Listing Committee and of the Growth Enterprise Market Listing Committee of the Hong Kong Stock Exchange.

TEO Siong Seng（張松聲）

Mr. TEO, aged 56, is currently an independent non-executive director of the Company. Mr. Teo is the managing director of Pacific International Lines Pte Ltd., the president and chief executive officer of Singamas Container Holdings Limited (00716), vice chairman of CSIC Pacific Private Ltd (a joint venture of China Shipbuilding Industry Corporation and Pacific International Lines Pte Ltd.), the president of the Singapore Chinese Chamber of Commerce & Industry, and a nominated member of parliament of the Singapore Government. Mr. Teo also sits on the board of Business China (Singapore) (an organisation founded by the Singapore Chinese Chamber of Commerce & Industry and sponsored by senior minister Mr. Lee Kuan Yew), and he is the president of Singapore Shipping Association, the chairman of Lloyd's Register Asia Shipowners, a director of Maritime and Port Authority of Singapore (MPA), the chairman of Singapore Branch of Nippon Kaiji Kyokai and executive committee of Singapore Maritime Academy. He is a council member of Singapore-Tianjin Economic and Trade Council, Singapore-Zhejiang Economic and Trade Council, Singapore-Shandong Economic and Trade Council, Singapore-Guangdong Economic and Trade Council, Singapore-Liaoning Economic and Trade Council and Malaysia-Singapore Economic Council, as well as a member of Singapore-India CEO Forum.

Directors, Supervisors, Senior Management

LI Yunpeng（李雲鵬）

Mr. LI, aged 52, is currently a supervisor and the chairman of the supervisory committee of the Company. Mr. Li has the supervisor of the CPC subcommittee of COSCO since 2004, and is the spokesman of COSCO Group. Mr. Li had been the deputy head, head and supervisor of the department of appointment and removal of COSCO Tianjin, the deputy general manager of the executive division, general manager of the supervision division, general manager of the human resources management division and assistant to the president of COSCO. Mr. Li has over 30 years of experience in the shipping industry and extensive experience in corporate management, internal control and human resources. Mr. Li obtained a master degree in shipping and marine engineering from Tianjin University. He is a senior engineer.

WU Shuxiong（吳樹雄）

Mr. WU, aged 56, is currently a supervisor of the Company. He has been the secretary to the committee of the CPC and deputy general manager of COSCON since 2002. He had been a marine chief engineer, deputy director of the fourth ship management department of COSCO Shanghai, general manager of Shanghai Far East Container Manufacturing Co. Ltd., deputy general manager director of COSCO Shanghai and deputy general manager (safety and quality control manager) of COSCON. Mr. Wu has over 30 years of experience in the shipping industry and extensive experience in corporate management and vessel management. Mr. Wu graduated from Shanghai Jiao Tong University, majoring in transportation management. He is a senior engineer.

MA Jianhua（馬建華）

Mr. MA, aged 48, is currently a supervisor of the Company. Mr. Ma had been the secretary to the committee of CPC, and deputy managing director of COSCO Logistics since 2006. He had been the deputy section chief of the human resources management and labour department and bureau surveyor of MOC, vice secretary and the supervisor of the CPC subcommittee of Shenzhen Maritime Safety Administration, deputy director of the office of Chongqing municipality of PRC, and deputy secretary of Chongqing municipality of PRC. Mr. Ma has extensive experience in administrative management, traffic management, human resources management, modern logistics strategy and management. Mr. Ma graduated from Central Party School of CPC majoring in economics and is a senior engineer.

LUO Jiulian（駱九連）

Mr. LUO, aged 56, is currently a supervisor of the Company. Mr. Luo is currently the secretary of the CPC subcommittee and deputy general manager of Dalian Ocean Shipping Company. He was the deputy director of CPC subcommittee office of COSCO, the deputy secretary of discipline committee and chairman of labour union of COSCO International Freight Company, and the vice chairman of discipline inspection committee of CPC subcommittee, director of supervisory office, general manager of supervisory department of COSCO. Mr. Luo has almost 20 years of experience in the shipping industry with extensive experience in corporate management and internal control work. Mr. Luo graduated from Central Party School of CPC majoring in economics and is a postgraduate student.

Directors, Supervisors, Senior Management

YU Shicheng（於世成）

Mr. YU, aged 56, is currently an independent supervisor of the Company. Mr. Yu is currently the principal of Shanghai Maritime University, vice-chairman of China Institute of Navigation, vice-chairman of China Maritime Law Association and an arbitrator of China Maritime Arbitration Commission. He is a professor and a lawyer and has been engaging in teaching and research on the topics of maritime laws and international maritime policies. Mr. Yu has been granted a special allowance by the State Council since 1994.

MENG Yan（孟焰）

Mr. MENG, aged 55, is currently an independent supervisor of the Company. Mr. Meng has been working for Central University of Finance and Economics since 1982. He was the deputy director and director of accountancy department and is currently the dean, professor and tutor of doctorate students of Faculty of Accountancy, executive committee of Accounting Society of China, executive committee of China Society for Finance and Accounting, committee member of Professional Education Supervisory Committee for Business Administration Subjects of Higher Education of Ministry of Education and committee member of National Master of Accountancy Education Supervisory Committee. Mr. Meng graduated from the Research Institute for Fiscal Science of Ministry of Finance and obtained a doctorate degree in economics (accountancy). He has been entitled to the government's special allowance from the State Council since 1997.

SUN Jiakang（孫家康）

Mr. SUN, aged 51, is currently an executive vice president of the Company. Mr. Sun has been the vice president of COSCO since 2011 and is the managing director of COSCON and the non-executive director of COSCO Pacific. Mr. Sun had been the manager of the third division and second division of the container lines headquarters of COSCO Group, the general manager of the transportation division and assistant to the president of COSCO, vice-chairman of the board of COSCO Pacific, executive director and general manager of COSCO Pacific and vice president of COSCO HK. Mr. Sun has over 30 years of experience in the shipping industry and has extensive experience in the corporate operation management. Mr. Sun holds a doctorate degree from Preston University, U.S. and a master degree from Dalian Maritime University. He is a senior engineer.

XU Zunwu（許遵武）

Mr. XU, aged 53, is currently an executive vice president of the Company and the managing director of COSCO Bulk. He previously held positions as the deputy general manager of COSCO Guangzhou, the deputy general manager of COSCO Bulk, deputy general manager and managing director of COSCO HK Shipping, vice-president of COSCO Hong Kong, managing director of COSCO HK Shipping Co., Ltd and the general manager of COSCO Shenzhen. Mr. Xu has almost 30 years' work experience in maritime industry and therefore has extensive experience in corporate operation management. Mr. Xu graduated from Shanghai Maritime University with major in ocean shipping. He also holds the professional qualification of senior economist.

Directors, Supervisors, Senior Management

YE Weilong（葉偉龍）

Mr. YE, aged 48, is currently an executive vice president of the Company. Mr. Ye is also the managing director of COSCO Logistics. He had been the assistant to general manager, deputy general manager and general manager of Shanghai Ocean International Freight Company, general manager of COSCO Shanghai International Freight Co., Ltd, deputy general manager of COSCON and the general manager of COSFRE. Mr. Ye has extensive experience in corporate operation management, international cargo transportation as well as the operation and management of modern logistics strategy. He obtained a doctoral degree at Dalian Maritime University and a Master degree in Business Administration at Shanghai Maritime University and Maastricht School of Netherlands and is a senior economist.

XU Minjie（徐敏傑）

Mr. XU, aged 52, is currently the vice general manager of the Company. Mr. Xu has been the vice chairman of COSCO since 2011 and is the vice chairman, executive director and general manager of COSCO Pacific and a director of CIMC. He had been a marine captain, manager of the department of container division, operation division and export division of COSCO Shanghai. He had also been the deputy general manager of Shanghai Ocean International Freight Company, the general manager of COSFRE Shanghai and the manager of transportation department of the head office of COSCO. Mr. Xu has 30 years of experience in shipping and has extensive experience in corporate operation and management. Mr. Xu graduated from the marine navigation department of Qingdao Ocean Shipping Mariners College. He obtained his master degree in business administration from Shanghai Maritime University and Maastricht School of Management in the Netherlands and is a senior economist.

HE Jiale（何家樂）

Mr. HE, aged 56, is currently the chief financial officer of the Company. Mr. He is also the executive director of COSCO Pacific. Mr. He had been the deputy director of the finance division of Shanghai Ocean Shipping Company, the deputy general manager of finance department of the COSCO Container Lines, the deputy general manager of finance and capital department of COSCO and the chief accountant of COSCON and the financial controller of COSCO Hong Kong. Mr. He has over 30 years of experience in the shipping business and has extensive experience in corporate finance, finance management and capital operation. Mr. He graduated from the postgraduate studies of management science and engineering from Shanghai University. He is a senior accountant.

ZHANG Yongjian（張永堅）

Mr. ZHANG, aged 59, is currently the secretary of the board of the Company. Mr. Zhang had been the head of the shipping department and the deputy general manager of COSCO Dalian and assistant president and the general manager of the strategic planning and development division of COSCO Hong Kong and the general manager of the Planning Department of COSCO. Mr. Zhang has 30 years of experience in the shipping business, as well as in legal work. Mr. Zhang graduated from the Shanghai Maritime University and the Dalian Maritime University. He has a Master degree in Law. He is a senior economist.

Directors, Supervisors, Senior Management

1. Appointment of directors and changes

On 22 April 2010, the Company convened the 17th meeting of the second Board of Directors, whereby the resignation of Mr. Chen Hongsheng as a committee member of the Strategic Development Committee and the appointment of Mr. Zhang Liang as a committee member of the Strategic Development Committee were approved. Mr. Chen Hongsheng will no longer be on the Strategic Development Committee.

On 28 October 2010, the Company accepted the resignation of Mr. Li Jianhong, non-executive director, with immediate effect.

On 29 March 2011, the Company convened the 23rd meeting of the second Board of Directors, whereby a resolution regarding the nomination of Mr. Wei Jiafu, Mr. Zhang Fusheng, Mr. Zhang Liang, Mr. Xu Lirong, Ms. Sun Yueying, Mr. Sun Jiakang and Mr. Xu Minjie as the director candidates of the third Board of Directors and nomination of Mr. Teo Siong Seng, Ms. Fan Hsu Lai Tai, Rita, Mr. Kwong Che Keung and Mr. Peter G. Bowie as the independent director candidates of the third Board of Directors was approved for submission at the annual general meeting for consideration and approval.

2. Appointment of supervisors and changes

On 29 March 2011, the Company convened the 15th meeting of the second Board of Supervisors, whereby a resolution regarding the nomination of Mr. Li Yunpeng and Mr. Luo Jiulian as the external supervisor candidates of the third Board of Supervisors and nomination of Mr. Yu Shicheng and Mr. Meng Yan as the independent supervisor candidates of the third Board of Supervisors was approved for submission at the annual general meeting for consideration and approval.

3. Appointment of senior management and changes

There was no change of senior management during the year.

Management Discussion and Analysis

Review of Overall Performance

In 2010, the Group recorded revenues of RMB96,438,544,000, representing an increase of 40.9% as compared with 2009. Total net profit amounted to RMB8,084,572,000 while net profit attributable to equity holders of the Company amounted to RMB6,858,465,000.

Business Review

Container Shipping and Related Business

Market review

In 2010, the global economic recovery and the increase in demand for global trade have driven the growth in the overall container shipping demand. The cautious allocation of container shipping capacity by container liners and slow steaming have improved the balance between supply and demand. The China Containerized Freight Index ("CCFI") rose from the lowest of 763 points in 2009 to almost the historically highest record of 1,200 points in August 2010, and the average was 1,131 points in 2010, representing an increase of 22.3% as compared to 2009. The potent rebound of container shipping volume and the rising freight rates have induced the overall global container shipping business to turn around from loss to profit in 2010.

Results performance

In 2010, shipping volume of the Group's container shipping and related business amounted to 6,215,371 TEUs, representing an increase of approximately 18.7% as compared to last year. Revenues amounted to RMB46,312,273,000, representing an increase of 68.3% as compared to the corresponding period last year.

Shipping volume by routes

	Year ended 31 December		
	2010 (TEUs)	2009 (TEUs)	Change (%)
Trans-Pacific	**1,572,128**	1,155,489	36.1
Asia-Europe (including Mediterranean)	**1,287,481**	1,193,422	7.9
Intra-Asia (including Australia)	**1,617,463**	1,386,378	16.7
Other international (including Trans-Atlantic)	**202,073**	184,774	9.4
PRC	**1,536,226**	1,314,229	16.9
Total	**6,215,371**	5,234,292	18.7

Revenues by routes

	Year ended 31 December		
	2010 RMB'000	2009 RMB'000	Change (%)
Trans-Pacific	**14,284,238**	7,289,171	96.0
Asia-Europe (including Mediterranean)	**12,080,341**	6,114,390	97.6
Intra-Asia (including Australia)	**6,705,628**	4,446,924	50.8
Other international (including Trans-Atlantic)	**1,625,011**	869,359	86.9
PRC	**3,405,221**	2,528,817	34.7
Sub-total	**38,100,439**	21,248,661	79.3
Chartering	**478,141**	496,175	-3.6
Related business	**7,733,693**	5,765,143	34.1
Total	**46,312,273**	27,509,979	68.3

Fleet development

The Group had 16 new container vessels with a total capacity of 101,313 TEUs delivered and put into operation in 2010. As at 31 December 2010, the Group operated 150 container vessels with a total capacity of 614,092 TEUs, representing an increase of 9.5% as compared to the year end of 2009. There was no new vessel order in 2010. As at the year end of 2010, the Group had an order book of 38 container vessels with a total capacity of 313,526 TEUs, which will be delivered in 2011 to 2013.

Order book of container vessels (as at 31 December 2010)

	Owned		Chartered-in		Total	
Year	Number	TEUs	Number	TEUs	Number	TEUs
2011	—	—	6	69,358	6	69,358
2012	13	82,550	4	52,368	17	134,918
2013	15	109,250	—	—	15	109,250
Total	28	191,800	10	121,726	38	313,526

In 2011, the Group expects to be made available 6 new vessels with a total capacity of 69,358 TEUs, representing 6 chartered-in 69,358 TEUs vessels.

Operation strategies

After the Group successfully implemented Vessel Pool plan during the low season to greatly reduce loss, the Group seized the opportunity of market recovery to reinforce cooperation with its alliance partners for restoration of shipping capacity of routes and reposition of the route structure. For instance, shipping space of Asia-Europe and Trans-Pacific routes increased by 40% and 43% respectively as compared to the low season. The Group operated extra routes for America and Europe routes for higher profit during the peak season. The Group took advantage of the market recovery to revise the freight rates. The contract freight rates of Trans-Pacific route increased to a reasonable level this year while those of Asia-Europe route were also restored at the beginning of the year. In June, the Group imposed surcharges for container repositioning for Southeast Asia routes, such surcharges were also extended to other routes.

As the Group focused on the balance of the shipping volume of containers, efficiency of containers management improved significantly. As the increasing rate of containers is far less than that of shipping volume, the overall ratio of containers to slot dropped to a historically record low.

In addition, the Group endeavoured to explore cargo sources with a high profit margin and strengthened its value-added services. Extensive promotion of application of e-commerce and low-carbon development help to develop the CKYH Green Alliance. In 2010, the Company increased the number of vessels and reduced the vessel speed of more than ten of its major long-haul routes, resulting in a decrease in fuel consumption of 338,000 tons as compared to the corresponding period last year. It also successfully developed and launched the "COSCON Carbon Emission Calculator" (中遠集運碳排放計算器) .

Market outlook

The continuous global economic recovery in 2011 will lead to the growth of the global container shipping volume. According to forecast by certain authority, the global container shipping volume will increase by 8% to 10% and exceed 150 million TEUs. Among the two major eastern and western routes, the container shipping volume of Asia-Europe route will see the largest growth of up to 10.4%, while Trans-Pacific route will grow by 9.3%. In respect of shipping capacity, as reported by AXS-Alphaliner, there will be new container vessels with an additional shipping capacity of 1.3 million TEUs entering the market, representing an increase of 8.8% in the overall shipping capacity. It is noteworthy that the shipping capacity of the super post-Panamax vessels will substantially increase and contribute to the rising of shipping capacity in the two major eastern and western routes.

Overall speaking, the global container shipping market will remain cautious and optimistic in 2011. The container shipping market is expected to maintain its equilibrium due to the increase of cargo volume and reasonable management of delivery of carriers.

Operation plans

In 2011, the Company will continuously strengthen its cooperation with its alliance partners, optimise the arrangement of its routes, ensure the utilization rate of newly injected shipping capacity in order to incarnate the strength of large vessels. Other than insisting its domestic development strategy, the Company will put greater efforts to develop its business in the emerging markets and speed up the restructuring of the structure of its customer base and cargo sources. Service quality will be enhanced and low-cost transhipment routes will also be explored, to establish a competitive and comprehensive transportation service chain. Without sacrificing the operation efficiency, the number of containers will be kept to the minimum and the proper use and maintenance of equipment will be ensured. By taking advantage of the increasing shipping capacity, co-operating with the CKYH Alliance and inviting tenders, the Company will endeavour to negotiate with suppliers for competitive tariff rates. Fuel usage effectiveness will be enhanced by further increasing vessels and reducing speed, and reinforcing the research and application of energy-saving technologies. Fuel cost will also be managed through hedging the spot and forward bunker prices of fuel.

It is expected that the completed shipping volume of the Group's container business will reach 6,800,000 TEUs in 2011.

Management Discussion and Analysis

Dry Bulk Shipping Business

Market review

In 2010, the dry bulk shipping market fluctuated significantly due to several factors. With rising demand for coal, grain and iron ore, the dry bulk shipping market in the first half of the year picked up its growth momentum amid fluctuations. In late May, the Baltic Dry Index ("BDI") rose to 4,209 points, the highest level of the year. Following the expedited delivery of new vessels, the market dropped rapidly immediately and the BDI in mid July dropped to 1,700 points, the lowest level of the year. In 2010, the average BDI was 2,758 points, representing an increase of 5.4% as compared to the corresponding period last year.

The market performance of the different types of vessels was less consistent. In 2010, the average charter hire rate of Capesize vessels was approximately US$33,000/day, representing a decrease of nearly US$10,000/day as compared with 2009. Small- to medium-sized vessels were the main support of the BDI, the average charter hire rates of Panamax vessels, Handymax vessels and Handysize vessels amounted to approximately US$25,000/day, US$22,000/day and US$16,000/day, representing an increase of US$5,000/day as compared with the corresponding period last year, respectively.

Results performance

In 2010, the shipping volume of the Group's dry bulk shipping business kept increasing and reached 280,100,000 tons, representing an increase of 3.15% as compared with the corresponding period last year. Dry bulk shipment turnover was 1.42 trillion ton-nautical miles, representing an increase of 1.43% as compared with the corresponding period last year, of which coal shipping volume amounted to 88,750,000 tons, representing an increase of 4.25% as compared with the corresponding period last year. Metal ore shipping volume amounted to 128,570,000 tons, representing an increase of 5% as compared with the corresponding period last year. The Group generated revenue of RMB32,776,958,000, representing an increase of 19.8% as compared to the corresponding period last year. As at 31 December 2010, the fixed turnover ratio of dry bulk shipping business was 23.1% and fixed time chartering level of all vessels decreased by approximately 30% as compared to the average level in 2010.

Operation strategy

The Group proactively secured a high position in the market and entered into contracts when market opportunities arise to ensure future profits and minimise operation risks. Regarding operation, the Company insisted the philosophy of wise operation, to maximise the general benefit by monitoring chartered-in vessel arrangement and frequency and taking advantage of regional difference in freight rates and the time difference of various markets and operating flexibly based on vessel types, cargo types and cargo volume.

Management Discussion and Analysis

Based on the observation on the global cargo trend and changes in the industry, the Group increased its shipping capacity in the emerging markets and expanded, new cargo types and new ports.

The "Major Customer Strategy" (大客戶戰略) is extensively implemented to strengthen customers' loyalty and secure long-term shipment through personalised services.

The Group lowered costs of key cycles by streamlining its management. With meticulous resources allocation, rearrangement of port capacity, enhanced fuel management and costs control, the efficiency of single shipment increases continuously.

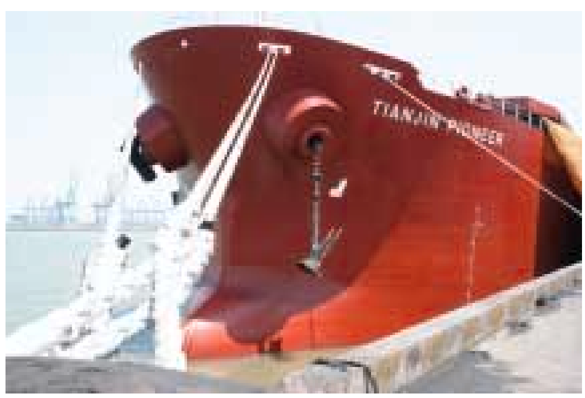
Fleet development

As at 31 December 2010, the Group operated a total of 450 dry bulk vessels with a total of 38,556,200 deadweight tons ("DWT"), among which 228 vessels were owned vessels totaling 17,888,600 DWT with an average age of 13.43 years. 222 vessels were chartered-in vessels totaling 20,667,600 DWT.

Capacity of the fleet (as at 31 December 2010)

Vessel type	Owned Number	Owned DWT (ten thousands)	Owned Average vessel age (years)	Chartered-in Number	Chartered-in DWT (ten thousands)	Total Number	Total DWT (ten thousands)
Capesize	35	724.41	6.69	61	1,066.00	96	1,790.41
Panamax	75	533.94	14.03	91	681.49	166	1,215.43
Handymax	87	427.13	12.39	40	212.60	127	639.73
Handysize	31	103.38	21.22	30	106.67	61	210.05
Total	228	1,788.86	13.43	222	2,066.76	450	3,855.62

There was no new dry bulk vessel order in 2010. As at 31 December 2010, the Group had an orderbook of 18 dry bulk vessels, with a total capacity of 2,674,000 DWT. This comprises 8 Capesize vessels with a total capacity of 1,640,000 DWT, 8 Panamax vessels with a total capacity of 920,000 DWT and 2 Handymax vessels with a total capacity of 114,000 DWT. The above orders will be delivered in 2011 to 2014.



Orderbook of dry bulk vessels (as at 31 December 2010)

	2011		2012		2013 and subsequent years		Total	
Vessel type	**Number**	**DWT**	**Number**	**DWT**	**Number**	**DWT**	**Number**	**DWT**
Capesize	6	1,230,000	—	—	2	410,000	8	1,640,000
Panamax	—	—	5	575,000	3	345,000	8	920,000
Handymax	—	—	—	—	2	114,000	2	114,000
Total	6	1,230,000	5	575,000	7	869,000	18	2,674,000

The status of the Company's FFA

As at 31 December 2010, the total balance of liabilities under FFAs amounted to RMB61,024,000 which was accounted for as "derivative financial liabilities" in the balance sheet.

Market outlook

In 2011, the demand for major dry bulk cargoes, including iron ore, coal and steel will continue to increase. It is estimated that the global shipping volume of major dry bulk cargoes will increase by 6%.

The dry bulk shipping market will continue to be mainly affected by demand of China, where demand for resources and energy will remain strong. In 2011, the construction of social welfare housing will drive the demand for construction steel to raise by 30 million to 35 million tons. In 2011, the fixed asset investment plan of railway in China will amount to RMB850 billion in aggregate, representing an increase of approximately 3% as compared with the corresponding period last year. In response to the demand above, domestic crude steel production and import of iron ore will be boosted. As such, the demand of the market will be supported in 2011.

In 2011, the dry bulk shipping capacity is expected to increase by approximately 14%, which may affect the dry bulk shipping market. In addition, the dry bulk shipping market may continue to be subject to factors such as changing of iron ore demand, seasonal and climatic changes, scrap vessels and dissolution of old vessels, port congestion, etc.

Operation plans

The Group will put more efforts in market research. In order to provide scientific basis for our operating decisions, the Group will particularly strengthen first-hand information collection and collation by extending information collection coverage. Innovative development models will be adopted. The Group will carry out initiatives to grasp market trends and fluctuation rhythms. Through these initiatives, the Group can enhance its adaptability to market changes, make corresponding judgements, fortify the enforcement of its strategic decisions, optimise its internal operation structure to facilitate its comprehensive, coordinated and sustainable development. In light of the quick and immense market fluctuations of the dry bulk shipping market, the Group will keep track of market movement, pursue a leading position in the market and secure an upward market trend. With continuous service improvement, the Group's marketing efforts will focus on its Major Customer Strategy to further develop and strengthen its customer base. The Group will streamline its management and reduce cost.

The Group's dry bulk shipment turnover is expected to amounting to 959.0 billion ton-nautical miles in 2011.

Management Discussion and Analysis

Logistics Business

Market review

In 2010, China's logistics industry showed a better development and maintained a steady increasing rate. The total social logistics volume experienced a steady growth and reached RMB125.4 trillion during the year, representing a year-on-year increase of 15% based on comparable pricing. The increase was 3.7% higher than that of last year. With rapid resumption of the added-value of the logistics business, the annual added-value of the logistics business in aggregate reached RMB2.7 trillion, representing an increase of 13.1% as compared with the corresponding period last year. The increase was 2.5% higher than that of last year. The logistics business accounted for 6.9% of GDP and 16% of added-value of the service sector. It has valuable contribution to economic and social development.

Results performance

In 2010, operating revenue of the logistics business of the Group amounted to RMB15,212,320,000. The business volumes of each business segment of COSCO Logistics in 2010 are set out in the table below:

	2010	2009	Growth Rate %
Third party logistics			
Product logistics			
Home appliance logistics ('000 pcs)	**79,633**	51,106	56
Chemical logistics (RMB '000)	**106,930**	81,370	31
Project logistics (RMB million)	**1,250**	1,012	24
Shipping agency business (vessels)	**166,698**	144,985	15
Freight forwarding business			
Sea-freight			
Bulk cargoes ('000 tons)	**196,828**	166,648	18
Containers (TEUs)	**2,288,405**	1,923,702	19
Air-freight (tons)	**97,849**	93,782	4

Third party logistics

With respect to project logistics segment, the annual turnover of project logistics in 2010 increased by 24% as compared with 2009, primarily due to the increase in airbus and nuclear electricity projects.

With respect to product logistics segment, in 2010, the revenue of chemical logistics increased by 31%, and the business volume of home appliance logistics increased by 56%.

Shipping agency

In 2010, the Group provided agency services for 166,698 vessels, representing an increase of 15% as compared with 2009. It secured the year-on-year increase of revenue of its shipping agency business by enhancing its marketing efforts and improving service quality for customers.

Freight forwarding

In 2010, the maritime logistics business of the Group handled container cargoes totaling 2,288,405 TEUs, representing an increase of 19% as compared with the corresponding period of 2009. It handled bulk cargoes totalling 196,828,000 tons, representing an increase of 18% as compared with the corresponding period last year.

With respect to sea freight forwarding operations, the Group made remarkable progress in various areas such as developing the information platform, freight space booking system and railway-highway-seaway platform, establishing marketing mechanism, focusing on direct customers and exploring integrated freight forwarding projects.

With respect to air freight forwarding operations, the business volume of COSCO Logistics in 2010 increased by 4% as compared with 2009.

Market outlook

In 2011, the development of the logistics industry will maintain a steady growth with an upward trend but a slight slowdown. It is expected that the total annual social logistics volume, the total expenditures and the added value will increase by approximately 12%, 9% and 9%, respectively, in 2011.

Operation plans

The product logistics will focus on various market segments such as electronic appliances, chemical logistics and aviation logistics. More effort will be made for higher profit margin.

With respect to project logistics, the Group will make great efforts to further expand into core markets and promote the construction of national resources platform. The Group will also enhance its cooperation with major shipping companies and establish overseas operation bases to facilitate multi-lateral business cooperation and expand logistics business overseas.

With respect to shipping agency, the objective and requirement for the coming two years are to transform its comprehensive management into streamlined management for the provision of technology-based services instead of traditional operational services. It will change the agency relationship to strategic cooperation partnership and strive to become a comprehensive shipping service supplier instead of shipping agency.

With respect to freight forwarding, the Group will further strengthen its business platform to promote the resources integration based on the principle of "integration, focus and enhancement". It will further conduct business transformation and innovate development model for enhancing its ability and achieving business targets.

With respect to air-freight forwarding, the Group will continue to enhance the construction of port hubs to extend its service chain and speed up business transformation. By extending the application of modern technology, it will establish a national business network to facilitate investment projects.

Terminal and Related Business

Market review

In 2010, the global terminal business experienced an overall rebound as the global economy and trade gradually recovered. The global container throughputs in 2010 increased by 13.4%, with China and the US recording the fastest growth. In 2010, the container throughputs of China increased by 18.8%.

In 2010, the increased external demands boosted the growth of the external trading of China. Throughputs of the ports of China maintained rapid growth. According to the National Statistics Bureau of China, the throughputs of coastal ports in China reached 5,428,000,000 tons, representing an increase of 14.2% as compared to 2009, while the throughputs of exports were 2,247,000,000 tons, representing an increase of 13.5%.

Business review

COSCO Pacific Limited, the controlling subsidiary of the Group, strived for outstanding operational results in port business and achieved a new record in throughputs.

Container throughputs	**2010 *(TEUs)***	2009 *(TEUs)*	Year-on-year change %
Bohai Rim	**17,210,487**	14,580,578	18.0
Qingdao Qianwan Container Terminal Co., Ltd.	**10,568,065**	8,961,785	17.9
Qingdao Cosport International Container Terminals Co., Ltd.	**1,284,903**	1,145,352	12.2
Dalian Port Container Terminal Co., Ltd.	**1,668,418**	1,509,401	10.5
Tianjin Five Continents International Container Terminals Co., Ltd.	**1,917,873**	1,940,933	-1.2
Tianjin Port Euroasia International Container Terminal Co., Ltd.	**574,296**	N/A	N/A
Yingkou Container Terminals Co., Ltd.	**1,196,932**	1,023,107	17.0

Container throughputs	2010 *(TEUs)*	2009 *(TEUs)*	Year-on-year change %
Yangtze River Delta	**9,789,699**	8,383,257	16.8
Shanghai Container Terminals Co., Ltd.	**3,197,244**	2,979,849	7.3
Shanghai Pudong International Container Terminals Co., Ltd.	**2,450,176**	2,291,281	6.9
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	**889,515**	715,413	24.3
Yangzhou Yuanyang International Terminals Co., Ltd.	**302,617**	221,046	36.9
Nanjing Port Longtan Container Co., Ltd.	**1,245,559**	1,058,499	17.7
Ningbo Yuan Dong Terminals Operation Co., Ltd.	**1,704,588**	1,117,169	52.6
Pearl River Delta and Southeast Coastal regions	**16,094,776**	13,308,775	20.9
COSCO-HIT Terminals (Hong Kong) Ltd.	**1,535,923**	1,360,945	12.9
Yantian International Container Terminals Ltd.	**10,133,967**	8,579,013	18.1
Guangzhou South China Oceangate Container Terminal Co., Ltd.	**3,060,591**	2,158,291	41.8
Quanzhou Pacific Container Terminal Co., Ltd.	**1,050,710**	936,136	12.2
Jinjiang Pacific Ports Development Co., Ltd.	**313,585**	274,390	14.3
Overseas	**5,428,908**	4,370,432	24.2
COSCO-PSA Terminal Private Ltd.	**1,091,639**	904,829	20.6
Antwerp Gateway NV	**795,534**	639,957	24.3
Suez Canal Container Terminal S.A.E.	**2,856,854**	2,659,584	7.4
Piraeus Container Terminal S.A.	**684,881**	166,062	312.4
Total container terminal throughputs in China Mainland	**43,094,962**	36,272,610	18.8
Total container throughputs	**48,523,870**	40,643,042	19.4
Total Bulk cargoes throughputs (ton)	**23,606,588**	16,973,421	39.1
Throughputs of Dalian Automobile Terminal Co., Ltd. (unit)	**121,887**	50,110	143.2

Management Discussion and Analysis

Business expansion

The Group's equity interests in Yantian International Container Terminals increased by approximatey 10% and it had 15 parking berths with throughputs of 13,500,000 TEUs.

Outlook

As the global economic environment remains volatile, the terminal industry will be full of opportunities and challenges in 2011. The industry will continue to recover. COSCO Pacific will formulate and adjust its investment and operation strategies for further growth by paying close attention to changes of the global and national economic trends. The Group aim to further consolidate its leading position in the global market and develop terminal business as a major source of profit growth by developing the terminal industry, expanding its controlling interests, promoting diversified terminal investment and enhancing corporate value.

Container Leasing, Management and Sales Business

Results performance

Florens Container Holdings Limited and its subsidiary ("Florens") are subsidiaries of COSCO Pacific. Florens and its subsidiary continued to adopt a business model with the combination of owned containers, managed containers and sale and leaseback containers, which effectively controls the size of the container fleet. According to the report of Alphliner, at the year end of 2010 Florens has been the third largest container leasing company in the world in terms of container fleet size. The average total leasing rate of Florens in 2010 was 97.3%, representing an increase of 6.7 percentage points as compared to last year, which was higher than the average level in the industry.

As at 31 December 2010, the container fleet of Florens reached 1,631,783 TEUs, representing a year-on-year increase of 3.1%. A total of 499,106 TEUs (including sale and leaseback TEUs) were leased to COSCON, representing a year-on-year decrease of 5.5% and accounting for 30.6% of the total container fleet. Owned containers from non-COSCON container fleet amounted to 432,613 TEUs, representing a year-on-year increase of 30.1% and accounting for 26.5% of the total container fleet. Managed containers amounted to 700,064 TEUs, representing a year-on-year decrease of 3.1% and accounting for 42.9% of the total container fleet.

Size of container fleet (unit: TEUs)

As at 31 December 2010	**Owned containers**	**Managed containers**	**Sale and leaseback containers**	**Total size of container fleet**
COSCON	381,012	—	118,094	499,106
Non COSCON	432,613	700,064	—	1,132,677
Total size of container fleet	813,625	700,064	118,094	1,631,783

As at 31 December 2009	Owned containers	Managed containers	Sale and leaseback containers	Total size of container fleet
COSCON	409,797	—	118,094	527,891
Non COSCON	332,591	722,132	—	1,054,723
Total size of container fleet	742,388	722,132	118,094	1,582,614

Market outlook

Due to the global trend of deferred abandonment of old containers in recent years, the cumulative demand of containers in 2011 amounted to over 1,400,000 TEUs. It is expected that the shipping volume of containers will increase by approximately 8% to 10% in 2011 and the global capacity in the world will increase by over 1,300,000 TEUs. The demand of new containers will further increase and it is anticipated that the shortage of containers will occur seasonally in 2011. In 2010, 60% of new containers were procured by container leasing companies. It is expected that shipping companies will continue to lease a large quantity of containers. In 2011, the price of new containers is expected to remain high due to the strong demand of containers, appreciation of RMB and the increasing costs of raw materials.

Operational plans

Florens will continue to grasp favourable opportunities to expand the scale of its container fleet, particularly increase the proportion of owned containers with higher margins. It will also master the trend of the procurement and sales flexibly based on the market situation so as to increase the overall profitability. Since the leasing service of containers is in a great demand, it is expected that there will be a relatively high leasing rate. It is expected that the price of containers will still be high which will benefit the growth of revenue generating from container leasing business of the Group.

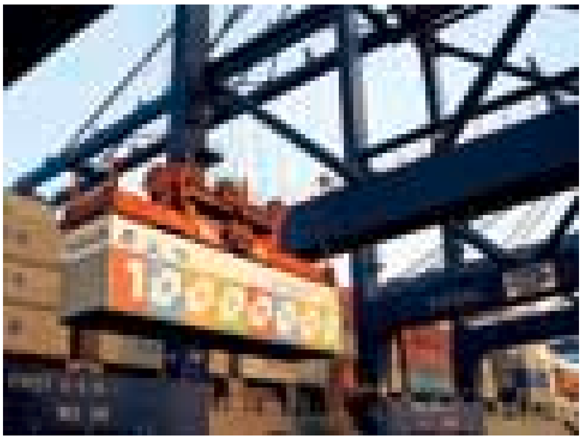
Management Discussion and Analysis

Container Manufacturing

The Group holds 21.8% equity interests in CIMC, which is the largest container manufacturer in the world. The price of new containers has increased significantly as the demand of new dry cargo containers exceeds the supply in 2010. The operational profits of dry cargo containers manufacturing business of CIMC increased drastically. Container manufacturing business contributed profit of RMB622,102,000 to the Group, representing an increase of 259.1% as compared to corresponding period of last year. It is expected that the demand of containers will remain high, and the prospects of the containers manufacturing market will be optimistic in 2011.

Production Safety

In 2010, the management of all levels and the entire staff of the Company overcame unfavourable factors such as the global economic crisis. To enhance the production services centre, the Company focused on its production safety measures and strengthened management. The Company has strived to execute its "Three Measures" in the promotion and education regarding overall production safety, and the supervision, inspection and implementation of production safety. It also carried out the "Three Developments" in production safety legal system, production safety prevention ability and safety supervision team. The Company identified and resolved major problems and inadequate processes in production safety. The Company also investigated the latent dangers imperiling the safety of its production. The Group had no material or substantial safety accidents, ensuring the continuous stability of the safety of its production system.



In 2010, pirates remained as its major threat. In the face of the ferocious pirate activities, China COSCO made defence against pirates as its priority for production safety. To efficiently secure the safety of its crew and vessels, it actively provided onshore support and comprehensive guidance to strictly monitor and defend its crew and vessels against pirate activities.

Incidents occurred in 2010 were as follows:

1. No general maritime incidents, representing a decrease of two incidents as compared with the corresponding period last year.
2. No engine incident, representing a decrease of one incident as compared with the corresponding period last year.
3. No pollution incidents.
4. Loading port inspections of 875 voyages, with no-defect confirmations issued for 638 voyages, representing a passing rate of 72.91%, and four held-up vessels, accounting for 0.4% of the total number of vessels and representing an increase of two cases as compared with the corresponding period last year.
5. No deaths and serious injuries were reported, representing a decrease of three reports as compared with the corresponding period last year.
6. Two pirate attacks and intrudence; no pirate hijack.

Energy Saving and Environmental Protection

The Group devoted to environmental protection and energy saving in 2010. With a focus on shipping companies with relatively higher fuel consumption and emission, the Group strengthened its fuel consumption management for container vessels and improved its system for reducing fuel consumption and pollutant discharge. It also proactively conducted research on new and clean energy sources, and established energy-saving and emission reduction standards. Through various measures such as applying technological findings, introducing technological inventions as well as increasing the use of advanced technology and reducing energy consumption, China COSCO successfully reduced operational costs.

According to the calculation based on the energy consumption index issued by the Ministry of Transport of the PRC, the fuel consumption of China COSCO was 4.12 kg/thousand ton-nautical miles in 2010, representing a decrease of 6.19% as compared with 4.39 kg/thousand ton-nautical miles of the corresponding period of 2009.

Technology Innovation

The Group actively participated in the establishment of facilities of innovative trial enterprises through technological advancement. It put effort to the research and development of national research projects, conducted research and development on production and operation by focusing on self-innovation and environmental protection. In addition, the Group further improved the information technology systems by focusing on the thorough development of information system, transforming the information system of its container shipping and bulk cargo shipping businesses from operational level to the decision making level. As such, corporate control was enhanced to safeguard, prevent and eliminate corporate risks and increase the contribution to the development of the Group through continuous enhancement in information system.

With respect to research and development, the Group participated in the "Demonstration and Development of Supply Chain Application Systems based on Intelligent Container Public Service System" (基於智能集裝箱公共服務系統的供應鏈應用系統開發與示範) , a national key technology research and development project. It collected information of the public service system in a timely manner when developing effective supply chain system and integrated the information from the industry to generate the useful information for shipment, equipment and customer services. As such, the Group was able to set up the model of intelligent container public service system for applying it to the business operation. It also improved the service and management quality by utilising information technology and advanced methods. The project of "Transoceanic Shipping of Aircraft Components" (飛機大部件跨洋運輸) was honoured with the "Second Prize of Annual Scientific Technology Award" (年度科學技術二等獎) by China Institute of Navigation. The achievement of the project was applied to the A320 series of Airbus project. Self-innovated technology accounted for more than 90% of all the technologies applied. The "Third Party Subcontract for Logistics Information of COSCONET e-Logistics Co., Ltd"(中遠網絡物流信息科技第三方物流信息系統外包服務) was under smooth progress.

With respect to information technology, the Group completed the application of the first phase of SAP. It has initially established the database of COSCO Logistics SAP BW information platform, the consolidated financial statements reporting system and COSCON SAP BW financial analysis platform. It fully utilised the SAP BW information and the advantages of the current system, together with the experiences of the shipping and logistics industry, to establish an intelligent business system which is sustainable and easy to integrate. The system comprises organisation, workflow, modeling, reporting and implementation procedures. With the increasing container shipping capacity and the optimisation of operation and management, COSCON launched the research and development of the fourth generation of the container management system. COSCON started to establish the reporting analysis system for its financial operation in line with its demands and the principle of "overall planning and implementation in phases".

The continuous improvement of its innovation and information technologies further enhanced the competitiveness of China COSCO's shipping and logistics businesses.

Financial Review

In 2010, the operational revenue of the Group amounted to RMB96,438,544,000, representing an increase of RMB27,976,030,000 or 40.9% as compared to RMB68,462,514,000 of 2009. The profit attributable to the equity holders of the parent company was RMB6,858,465,000, representing an increase of RMB14,326,277,000 or 191.8% as compared to the loss attributable to the equity holders of the parent company of RMB7,467,812,000 of 2009. Owing to the recovery of global economy and shipping market, revenues from container shipping and related business as well as dry bulk shipping and related business increased by 68.3% and 19.8% respectively during the period. Driven by the revenue growth, both business operation and efficiency of container shipping and dry bulk shipping were improved and profit of the Group recorded a significant increase as compared with the corresponding period last year.

Operating revenues

In 2010, the Group's operating revenue amounted to RMB96,438,544,000, representing a year-on-year increase of RMB27,976,030,000 or 40.9% as compared to RMB68,462,514,000 of 2009, among which:

- Revenue from container shipping and related business increased by 68.3% to RMB46,312,273,000. In 2010, container shipping volume of the Group amounted to 6,215,371 TEUs, representing an increase of 18.7% as compared to 2009. Average container freight rate amounted to RMB6,130 TEU, representing an increase of 51.0% as compared to 2009. All routes recorded a greater rate of increase in revenue as a result of the increasing shipping volume and average freight rate, among which the revenue from Trans-Pacific and Asia-Europe routes recorded increases of 96.0% and 97.6% respectively.

- Revenue from the dry bulk shipping and related business increased by 19.8% to RMB32,776,958,000, of which, revenue from time chartering increased by RMB4,293,498,000 or 29.5% and revenue from voyage chartering increased by RMB851,309,000 or 7.1%. In 2010, the average level of the BDI was 2,758 points, representing an increase of 5.4% as compared to the average of 2,617 points in 2009. The shipping volume and freight rate of the Group also increased, which attributable to the increase in more income.

- As compared with the revenues in 2009, revenue from logistics business increased by 25.4% to RMB15,212,320,000. In 2010, logistics business volume of the Group maintained steady growth which led to an increase in revenue.

- Revenue derived from the terminal and related business of COSCO Pacific recorded an increase of 62.0% to RMB1,254,555,000 as compared to RMB774,590,000 of 2009, mainly attributable to the revenue increases from the Piraeus Port. Throughputs handled by the Pier 2 of Piraeus Port, which was taken over by the Group on 1 October 2009, was 684,881 TEUs and contributed a revenue of RMB564,086,000 in 2010. Throughputs of Quanzhou Pacific Container Terminal Co., Ltd. increased and led to a growth in revenue of 19.3% to RMB303,248,000 as compared with last year.

- Revenue derived from the container leasing business operated and managed by COSCO Pacific increased by 29.6% to RMB863,873,000. During the period, rental income increased as container fleets of owned containers of COSCO Pacific increased from 742,388 TEUs at the end of 2009 to 813,625 TEUs at the end of 2010.

Operating cost

In 2010, the operating cost of the Group amounted to RMB84,052,455,000, representing an increase of 16.1% as compared with last year, of which:

- The operating cost of container shipping and related business amounted to RMB39,382,987,000, representing an increase of RMB7,132,146,000 or 22.1% as compared with last year. During the period, cargo and transhipment charges increased along with the increase in containers shipping volume. Bunker cost increased by RMB1,996,584,000 or 32.4% to RMB8,157,970,000, which was mainly due to the an increase of 29.6% in average oil price. In 2010, bunker cost accounted for 20.7% of the operating cost of container shipping and related business.

- Total operating cost of dry bulk shipping and related business amounted to RMB28,366,155,000, representing a year-on-year increase of RMB875,168,000 or 3.2%. Of which, the cost of chartered-in vessels dropped, resulting in a fall of the total vessel chartering expenses. In addition, income and cost were recognized based on the settlement of chartered-in/out contracts and the provision for onerous contracts of RMB1,415,525,000 in respect of the previous year was realized or reversed during the period. In respect of fuel, bunker cost increased by RMB1,050,203,000 or 29.5%, to RMB4,613,337,000 as a result of the increase of the international fuel prices. In 2010, bunker cost accounted for 16.3% of the operating cost of the dry bulk shipping business.

- The operating cost of the logistics business amounted to RMB13,653,744,000, representing a year-on-year increase of 26.5%. The increase was mainly due to the steady increase in logistics business volume.

- The operating cost of terminal and related business amounted to RMB1,047,113,000, representing an increase of 82.1%, as compared to last year. It was mainly due to the increase in the operating cost incurred by the Piraeus Port during the period. In addition, increase in container terminal and dry cargo throughputs also fuelled the increase of the related operating cost.

- The operating cost of container leasing business amounted to RMB860,662,000, as compared to RMB794,987,000 for the same period of last year.

Other income/(expenses), net

The net amount of other income and other expenses of the Group in 2010 amounted to RMB270,845,000, representing a decrease of RMB1,926,538,000 as compared to 2009, which was mainly attributable to the gains of RMB35,269,000 arising from FFAs held by the dry bulk shipping companies of the Group, as compared with the gain of RMB989,206,000 in the corresponding period in 2009.

Sales, administrative and general expenses

In 2010, the administrative expenses of the Group amounted to RMB4,944,009,000, representing an year-on-year increase of 5.9%, which was mainly attributable to an increase in staff cost.

Finance income

Finance income of the Group was mainly interest income from bank deposits and foreign exchange gains related to borrowings. Finance income in 2010 amounted to RMB1,163,396,000, representing an increase of RMB651,796,000 as compared to 2009. The increase is due to the fluctuation of exchange rates of different currencies during the period resulting in an increase of exchange gain.

Finance costs

In 2010, the finance cost of the Group amounted to RMB1,321,395,000, representing a slightly increase as compared to last year.

Share of profits less losses of jointly controlled entities and associates

Net profit contribution from jointly controlled entities and associates to the Group amounted to RMB1,718,676,000 in 2010, representing an increase of 85.5% as compared to RMB926,473,000 for the same period in 2009. Due to the recovery of global economy and shipping market, investment returns from jointly controlled entities and associates increased correspondingly in 2010, of which the profit contribution of CIMC increased by 259.1% to RMB622,102,000 in 2010.

Income tax expenses

In 2010, income tax expenses of the Group were RMB1,189,030,000, representing an increase of RMB738,444,000 as compared to RMB450,586,000 in 2009. In 2010, income tax expenses increased as profit increased.

Financial position analysis

Cash flow

The net cash inflow generated from operating activities amounted to RMB11,007,740,000 in 2010, representing an increase of RMB19,443,837,000 compared with the net cash outflow of RMB8,436,097,000 in 2009.

The net cash outflow generated from investing activities amounted to RMB10,880,121,000 in 2010, representing an increase of RMB2,284,685,000 as compared to 2009. It was mainly attributable to the payment of US$520,000,000 (equivalent to approximately RMB3,500,000,000) in cash made by COSCO Pacific, a subsidiary of the Group, for the acquisition of 10% effective equity interests of Yantian Terminal during the period. Except for the increase in cash payment on investment, cash outflow of the Group spent on the acquisition of properties, plants and equipment have been subject to different levels of decrease.

In 2010, the net cash generated from financing activities amounted to RMB2,800,129,000, representing a decrease of RMB26,418,596,000 as compared to 2009. During the year, COSCO pacific, a subsidiary of the Group, recorded a cash inflow (net of direct issue expenses) of approximately US$584,000,000 (equivalent to approximately RMB3,950,000,000). In addition, the net cash inflow generated from borrowings and debenture issue were less than 2009.

Cash and cash equivalents

As at 31 December 2010, cash and cash equivalents of the Group increased by RMB2,452,882,000 or 5.6%, to RMB46,550,910,000 as compared to 31 December 2009.

The working capital and capital resources of the Group have all along been and will continue to be generated from cash flows of operating activities, proceeds from new share issue and loan facilities from banks. Cash of the Group has been and is expected to be utilised for uses such as payment of operating cost, purchases of container vessels, dry bulk vessels and containers, investment in terminals, logistics projects and repayment of loans.

Assets and liabilities

As at 31 December 2010, total assets of the Group amounted to RMB149,541,815,000, representing an increase of RMB11,800,512,000 as compared to RMB137,741,303,000 as at 31 December 2009. The total liability of the Group amounted to RMB88,565,978,000, representing an increase of RMB3,409,490,000 as compared to RMB85,156,488,000 as at 31 December 2009. The equity interest attributable to the equity holders of the Group amounted to RMB46,508,553,000, representing an increase of RMB4,516,210,000 as compared to RMB41,992,343,000 as at 31 December 2009.

As at 31 December 2010, total outstanding borrowings of the Group increased by RMB446,659,000 to RMB60,797,074,000 as compared to RMB60,350,415,000 as at 31 December 2009. Net current assets amounted to RMB32,056,207,000 as at 31 December 2010, representing an increase of RMB4,387,084,000 as compared to RMB27,669,123,000 as at 31 December 2009. Net debt of the Group amounted to RMB14,246,164,000 as at 31 December 2010, representing a decrease of RMB2,006,223,000 as compared with RMB16,252,387,000 as at 31 December 2009. As at 31 December 2010, net debt to equity ratio was 23.4% as compared to 30.9% as at 31 December 2009. Interest coverage of the Group in 2010 was 8.01 times, as compared to -4.03 times in 2009. The Group has pledged certain property, plant and equipment with net book value of RMB17,133,829,000 (31 December 2009: RMB16,919,986,000) to banks and financial institutions as collaterals for borrowings of total RMB12,705,663,000 (31 December 2009: RMB12,198,363,000), representing 25.9% (31 December 2009: 27.1%) of the total value of property, plant and equipment.

Debt analysis

By category	As at 31 December 2010 RMB'000	As at 31 December 2009 RMB'000
Short-term borrowings and bonds payable	**1,669,381**	3,703,366
Long-term borrowings		
Within one year	**4,200,211**	3,529,595
In the second year	**21,234,030**	5,583,538
In the third to fifth years	**22,044,757**	40,927,328
After the fifth year	**11,648,695**	6,606,588
Subtotal	**59,127,693**	56,647,049
Total	**60,797,074**	60,350,415

Breakdown of borrowings by category:

The secured borrowings of the Group amounted to RMB13,660,576,000, while unsecured borrowings amounted to RMB47,136,498,000, representing approximately 22.5% and 77.5% of the total borrowings, respectively.

Breakdown of borrowings by currency:

The Group had borrowings denominated in U.S. dollars equivalent to RMB39,700,520,000 and borrowings denominated in RMB amounting to RMB19,970,214,000, representing approximately 65.3% and 32.8% of the total borrowings, respectively.

Corporate guarantee and contingent liabilities

As at 31 December 2010, the Group had provided a guarantee on a bank borrowing granted to an associate in the amount of RMB195,403,000 (31 December 2009: RMB217,166,000). Other than the information disclosed in Note 42 to the consolidated financial statements, the Group had no other significant contingent liabilities.

Foreign exchange and interest rate risk management

In 2010, as the Group closely monitored the trends in financial market and changes in monetary policy, and maintained the existing loans at floating rates, our interest cost remained at a lower level.

With respect to exchange rate, the Group kept track of and conducted studies on the trends of various currencies so as to continue adjusting the currency structure between income and cost expenses, and between assets and liabilities. It also controlled foreign exchange risk through natural hedges of different currencies.

Corporate Governance Report

I. Corporate Governance

The Company attaches high importance to its development in a regulated manner by improving its corporate governance. The corporate governance of the Company is supervised by the shareholders' general meeting, Board of Directors and Supervisory Committee. The shareholders' general meeting and the Board of Directors are well organised and regulated to ensure that accurate and fair information is disclosed promptly. Comprehensive and effective internal control system in respect of connected transactions is in place. The Company has strengthened its relationship with investors. In order to protect the rights of investors to know and to make recommendations, the Company maintains effective communication channels for investors. Circulation and documentation of confidential information of the Company are strictly restricted to prevent insider trading. The Company also promote corporate governance by providing relevant training to its employees and implementing effective measures.

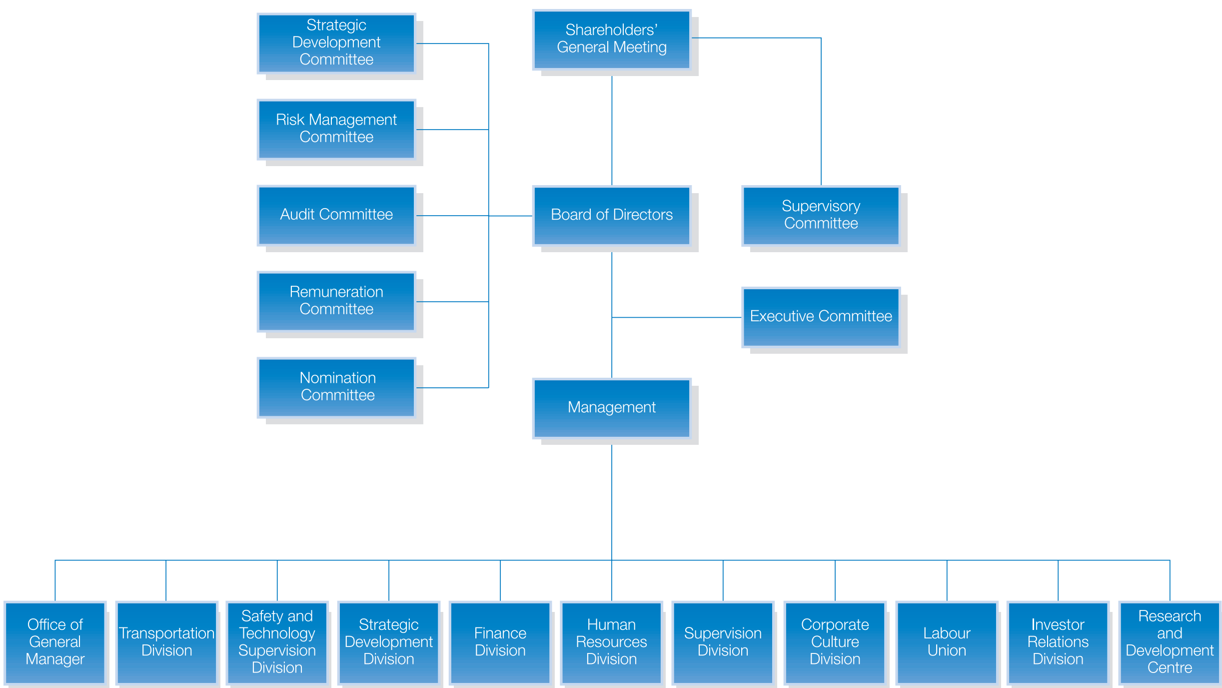
Corporate Governance Report

Corporate governance issues rectified during the year	
NO.	**Description**
1	In respect of competition, COSCO, the controlling shareholder of the Company, issued a "Non-competition Undertaking" to the Company on 3 September 2007 upon delivery of dry bulk cargo fleet, pursuant to which, other than the size of the existing dry bulk cargo fleet, COSCO and its subsidiaries shall not adopt any actions and measures to conduct any business which compete or may compete with China COSCO and its subsidiaries, and shall not infringe the lawful interests of China COSCO and its subsidiaries, as long as COSCO remains as the controlling shareholder. During the reporting period, the size of the dry bulk cargo fleet of COSCO and its subsidiaries remained unchanged.
2	In order to regulate the operation of the Company, the Company formulated "The Risk Control of Connected Transactions between China COSCO Holdings Company Limited and COSCO Finance Co., Ltd"（中國遠洋控股股份有限公司與中遠財務有限責任公司關聯交易的風險控制制度）to maintain the security and liquidity of funds of the Company.
3	Under the relevant regulatory requirements, the Company has established the "Measures for the Registration of People with Insider Information"（內幕信息知情人登記備案管理辦法）in accordance with the principles of the "Measures on Information Disclosure"（信息披露管理辦法）. The system specifies the procedures of registration of confidential information and insiders and the responsibilities of insiders. The system also has measures to ensure the protection of confidential information as well as the prompt disclosure of accurate and complete confidential information when required.
4	The Tianjin Branch of China Securities Regulatory Commission conducted a 7-day on-site inspection of China COSCO and some of its subsidiaries pursuant to the "Measures on On-site Inspection of Listed Companies"（上市公司現場檢查辦法）in respect of the compliance of laws and regulations of the Company's operations. The Company has adopted the recommendations concluded by the on-site inspection to enhance the compliance of regulatory requirements. In addition to the adoption of corporate governance requirements in its management, the Company also revised its articles of association and operation procedures in line with the corporate governance requirements. The above measures are crucial for the development of effective management system and standards of the Company.

II. Model Code for Securities Transactions by Directors

Since the listing of the Company on the Main Board of the Hong Kong Stock Exchange in 2005, the Board of Directors has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) as the code for the dealings in securities transactions by the directors of the Company. Having made specific enquiries with all Directors and supervisors of the Company, they have confirmed that they complied with the required standard set out in the Model Code throughout the year ended 31 December 2010.

III. Corporate Governance Structure



Corporate Governance Report

1. Shareholders' general meetings

The shareholders' general meeting of the Company is conducted in strict compliance with the procedures as stipulated under the Company Law of the PRC, the Articles of Association of the Company, and the Rules of Procedures for Shareholders' General Meetings of the Company, and each of the resolutions is adopted scientifically and democratically to protect the lawful interests of the Company and the shareholders. In order to allow domestic and overseas shareholders the same right to attend general meetings, the Company's general meetings were held through video conference. Two venues were arranged in Beijing and Hong Kong respectively for the convenience of domestic and overseas shareholders.

2. Board of Directors

The Board of Directors is the decision making organ of the Company. Election and appointment of Directors shall comply with the provisions under the Articles of Association of the Company, and the number and composition of the Board of Directors shall comply with the relevant laws and regulations. Currently, the Board of Directors is made up of ten members[1], comprising two executive Directors, four non-executive Directors and four independent non-executive Directors. All the members of the Board of Directors possess the professional knowledge required to discharge their duties, and have extensive experience in operation management, and discharge their duties loyally, honestly and diligently.

Note: (1) Mr. LI Jianhong resigned from the office of non-executive Director of the Company on 28 October 2010.

3. Supervisory Committee

The Supervisory Committee is the supervisory body of the Company. The number and composition of the Supervisory Committee shall comply with the provisions and requirements of the relevant laws, regulations and the Articles of Association of the Company. Currently, the Supervisory Committee is made up of six members, including two staff representative Supervisors democratically elected, and two independent Supervisors. The Supervisors of the Company shall seriously discharge their duties, and shall protect the interests of the shareholders and the Company through inspecting the Company's financial situation, implementation of resolutions of the general meetings, and discharge of duties by the senior management.

4. Management

The election and appointment of the management of the Company shall be in strict compliance with the Articles of Association of the Company. The managers of the Company shall discharge their duties and power limits as strictly required, seriously implement the resolutions of the Board, and implement effective management and control on the operation management of the Company, and continue to enhance the Company's management level and operation results.

IV. Report on the Company's compliance of the "Code on Corporate Governance Practices"

The Board of Directors reviews the Company's daily governance in accordance with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules, and considers that the Company has complied with the provisions under the Code during the reporting period, and complied with the requirements under the provisions of the Code, and has made its best efforts to comply with the proposed best practices.

A. Directors

A1. Board of directors

Principle of the Code • The board should assume responsibility for leadership and control of the issuer and be responsible for directing and supervising the issuer's affairs. Its decisions should be in the interests of the issuer.
The current best situation in the governance of China COSCO • The Board of the Company fully represents the shareholders' interests, and has set up development strategies of the Company within the scope of powers as provided under the Articles of Association of the Company, and monitors and finalizes the implementation of the Company's operation management and financial performance, so as to realize a steady return of long term results.

Compliance procedures of the Code of Corporate Governance Practices - Code provisions and the proposed best practices

<table>
<tr><th>Code provisions</th><th>Compliance</th><th>Procedures of Corporate Governance</th></tr>
<tr>
<td>• To convene at least four regular meetings of the board, about once in each quarter. Regular board meetings do not include meetings by way of written resolutions for the approval of the Board</td>
<td>Yes</td>
<td>• In 2010, the Company convened six Board meetings, including four regular meetings and two extraordinary meetings. Each of the Board meetings was attended by the majority of eligible directors in person. Attendance of Board members in 2010 was 98% and is listed as follows:
<table>
<tr><th></th><th>Number of attendance/ Number of meetings to be attended</th><th>Attendance</th></tr>
<tr><td>Executive directors</td><td></td><td></td></tr>
<tr><td>WEI Jiafu</td><td>6/6</td><td>100%</td></tr>
<tr><td>ZHANG Liang</td><td>6/6</td><td>100%</td></tr>
<tr><td>Non-executive directors</td><td></td><td></td></tr>
<tr><td>ZHANG Fusheng</td><td>6/6</td><td>100%</td></tr>
<tr><td>LI Jianhong[(1)]</td><td>4/5</td><td>80%</td></tr>
<tr><td>XU Lirong</td><td>6/6</td><td>100%</td></tr>
<tr><td>SUN Yueying</td><td>6/6</td><td>100%</td></tr>
<tr><td>CHEN Hongsheng</td><td>6/6</td><td>100%</td></tr>
<tr><td>Independent non-executive directors</td><td></td><td></td></tr>
<tr><td>LI Boxi</td><td>6/6</td><td>100%</td></tr>
<tr><td>Alexander Reid HAMILTON</td><td>6/6</td><td>100%</td></tr>
<tr><td>CHENG Mo Chi</td><td>6/6</td><td>100%</td></tr>
<tr><td>TEO Siong Seng</td><td>6/6</td><td>100%</td></tr>
</table>
Note:
(1) Mr. LI Jianhong resigned from the office of non-executive Director of the Company on 28 October 2010.
</td>
</tr>
</table>

Code provisions	Compliance	Procedures of Corporate Governance
• All directors have opportunities to include matters in the agenda for regular board meetings	Yes	• All directors have opportunities for the inclusion of their proposals in the agenda of regular Board meetings.
• Notices of regular board meetings should be sent at least 14 days before the convening of the meetings	Yes	• Notices of regular Board meetings have been given at least 14 days before the convening of the meetings, and notices and agenda of extraordinary Board meetings were given within reasonable time in accordance with the Articles of Association.
• All directors should have access to the advice and services of the board secretary	Yes	• The Board secretary has kept close contact with all directors, and provided the latest information of the Company to the directors in a timely manner. Prior to the convening of Board meetings, the Board secretary and the relevant departments have communicated with the directors of the Company in respect of important motions to attend to the opinions of the directors.
• Minutes of meetings should be kept by the board secretary, and are available for inspection by directors at any reasonable time	Yes	• The Board secretary has been responsible for organizing and keeping the minutes of Board meetings. The minutes of Board meetings and the records and related information of the special committees have been properly and perpetually kept in the Company's domicile as important files of the Company, and available for the inspection by directors at any time.
• The minutes of the meetings should record in sufficient detail the matters considered by the board and the decisions reached	Yes	• Minutes of Board meetings have made objective and detailed records on the matters considered, voting and opinions issued by directors in the meetings, and confirmed by the directors.

Code provisions	Compliance	Procedures of Corporate Governance
• Directors are entitled to seek independent advice in accordance with the agreed procedures at the company's expense	Yes	• In respect of matters requiring opinions from professional institutions, the Company has taken the initiative to appoint professional institutions to provide independent opinions at the expense of the Company.
• In the event that substantial shareholders or directors have conflict of interests in a material matter, the related directors shall abstain from voting	Yes	• The Company has made provisions in respect of abstaining from voting of related directors in the Articles of Association and the Rules of Procedures of the Board of Directors. • When considering matters such as COSCO Pacific's acquisition of additional 10% of equity interest of Yantian Terminal, CCA in custody of COSCO Logistics, Shanghai Eastern Logistics project, acquisition of Costar Shipping Ptd Ltd and Coslink (M) Sdn Bhd by COSCON, and continuing connected transactions of China COSCO from 2011 to 2013, the relevant connected directors abstained from voting in the Board meetings.
Recommended Best Practices		
• To arrange appropriate insurance cover in respect of legal actions against directors	Yes	• The Company has maintained liability insurance for directors, supervisors and senior management.
• Board committees should adopt so far as practicable, basically consistent principles and procedures in general	Yes	• The Board committees have adopted principles and procedures which are basically consistent with the above.

A2. Chairman and the Chief Executive Officer ("CEO")

Principle of the Code
• Clear division of responsibilities between the chairman of the board and the CEO, to ensure the balance of power and authority
The current best situation in the governance of China COSCO
• The Company has clearly specified the duties of the Chairman and the CEO, and separated the functions of the Board and the management, and made detailed descriptions in the Articles of Association, Rules of Procedures of the Board of Directors, Guidelines for the Works of the General Manager, so as to ensure that the balance of power and authority, and ensure the independence of Board decisions, thereby ensuring the independence of the daily operation activities of the management.

Corporate Governance Report

Compliance procedures of the Code of Corporate Governance Practices - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• The roles of the chairman and the CEO should be separate, and should be clearly established and set out in writing	No	• The Board considers that abrupt separation of the roles of the Chairman and CEO will involve a realignment of power and authority under the existing corporate structure, and might affect the ordinary business activities of the Company. The Board will review the current structure from time to time, and will make necessary arrangements as appropriate as considered by the Board.
• The chairman should ensure that all directors are properly briefed on issues arising at board meeting	Yes	• In respect of matters to be considered by the Board, adequate information has been provided to the directors before the meeting, and detailed explanations would be made in the meeting by the Chairman or the management on the motions.
• The chairman should ensure that the directors receive adequate information in a timely manner	Yes	• The Chairman has arranged the Board secretary to provide information regarding the progress of the various matters of the Company to all the directors each month, so that the directors may obtain timely and adequate information.
Recommended Best Practices		
• The roles of the chairman include: drawing up and approving the agenda of board meetings	Yes	• Agenda of Board meetings are negotiated by the Chairman with the executive directors and the Board secretary, and are decided after taking into consideration of all the matters proposed by the non-executive directors.

Code provisions	Compliance	Procedures of Corporate Governance
• The chairman should be responsible for ensuring that good corporate governance practices and procedures are established	Yes	• The Chairman assumes an important role in the promotion of the development of the Company's corporate governance, and delegates the Board secretary to set up a good corporate governance system and procedure, and supervises the management to loyally implement the various systems, and ensures the regularized operation of the Company.
• The chairman should encourage all directors to make full and active contribution to the board's affairs, the chairman shall at least hold one meeting each year with the non-executive directors without the attendance of executive directors	Yes	• The Chairman has encouraged all directors to be involved in the affairs of the Board, and caused directors to make effective contribution to the Board, and requested the Board to exercise the best interests for the Company by making himself as model.
• The chairman should ensure appropriate measures to maintain effective communication with shareholders	Yes	• The Chairman has placed great emphasis on the effective communication between the Company and the shareholders, and continued to promote and improve investor relations, and dedicated in realizing maximum returns to shareholders.
• The chairman should facilitate the effective contribution of directors to the board, and ensure the executive directors and non-executive directors maintain constructive relations with each other	Yes	• The Chairman has placed great emphasis on the contributions of directors to the Board, and made efforts to ensure the executive directors and non-executive directors maintain constructive relations with each other.

A3. Board Composition

Principle of the Code
• The Board shall have a balance of skills and experience appropriate for the requirements of the business of the issuer. The Board should include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgment. Non-executive directors should be of sufficient calibre and number for their views to carry weight.
The current best situation in the governance of China COSCO
• The Board of the Company is made up of ten members, comprising two executive directors, four non-executive directors and four independent non-executive directors, with independent directors representing more than one third of the members of the Board. (Note: Mr. LI Jianhong resigned from the office of non-executive Director of the Company on 28 October 2010.) • The independent non-executive directors of the Company have expertise and experience in areas such as navigation, corporate management, finance and laws, and are able to make independent judgments, making decisions of the Board to be more cautious and comprehensive. • There is no relationship (including financial, business, family or other material relationship) between the members of the Board.

Compliance procedures of the Code of Corporate Governance Practices - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• The independent non-executive directors should be expressly identified as such in all corporate communications	Yes	• The Company has disclosed the composition of the Board members according to the category of the directors in all corporate communications.
Recommended Best Practices		
• Independent non-executive Directors should represent at least one third of the number of board members	Yes	• The Board has four independent non-executive directors, namely Ms. LI Boxi, Mr. HAMILTON Alexander Reid, Mr. CHENG Mo Chi and Mr. TEO Siong Seng, representing more than one third of the Board members.
• Maintain on the website an updated list of its directors, identifying their role, function and independency	Yes	• The Company has posted the list and the biographies of Board members on its website, setting out their role, function and independency.

A4. Appointments, re-election and removal

Principle of the Code
• The board shall set up formal, considered and transparent procedures for the appointment of new directors. There should be plans in place for orderly succession for appointments to the board. All directors shall be subject to re-election at regular intervals. The issuer must explain the reasons for the resignation or removal of any director.
The current best situation in the governance of China COSCO
• The Company has set up a Nomination Committee under the Board. The Nomination Committee shall make proposals on the appointment, re-election, removal and discharge procedures of the candidates of directors, present the proposals for the Board's consideration, which will finally be determined by the shareholders' meeting.

Compliance procedures of the Code of Corporate Governance Practices - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• The appointment of non-executive directors shall have specific terms of office, and shall be subject to re-election	Yes	• As provided in the Articles of Association, directors (including non-executive directors) are elected at the shareholders' general meeting for a term of three years, and are eligible for re-election.
• Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first shareholders' general meeting after their appointment	Yes	• The directors appointed to fill in temporary vacancies are, after accepting the appointment, subject to election by shareholders in the first shareholders' general meeting thereafter.
• Each director shall retire by rotation at least once in every three years	No	• The Company considers that re-election of directors by the shareholders' general meeting is beneficial for maintaining the Company's operation strategies and the continuation of the various systems. Therefore, the system of retirement by rotation of directors has not been specified in the Articles of Association.

Code provisions	Compliance	Procedures of Corporate Governance
Recommended Best Practices		
• The issuer should set up a nomination committee, a majority of the members should be independent non-executive directors	Yes	• The Board of the Company has set up a Nomination Committee, chaired by independent non-executive director Mr. TEO Siong Seng. Other members include executive director Mr. ZHANG Liang, and independent non-executive director Mr. CHENG Mo Chi. The number of independent non-executive directors represents two-thirds of the total.
• The issuer should set out written terms of reference of the nomination committee	Yes	• The Company has set out the Guidelines for the Works of the Nomination Committee, specifying the powers and duties of the Nomination Committee, and published its terms of reference on the Company's website.
• The nomination committee should make available its terms of reference, and explain its roles and powers granted by the board		
• The nomination committee should be provided with sufficient resources to discharge its duties	Yes	• The Company's human resources department and general office have actively assisted the Nomination Committee in performing their work, so as to ensure they are adequately resourced to discharge their duties.

A5. Responsibilities of directors

Principle of the Code
• Each director is required to keep abreast of his responsibilities as a director of an issuer and of the conduct, business activities and development of that issuer.
The current best situation in the governance of China COSCO
• The Company has set up the Rules of Procedures of the Board of Directors, Guidelines of the Works of Independent Directors and guidelines of the works of various special committees, clearly specifying the duties of each of the directors, so as to ensure that all directors fully understand their roles and responsibilities. • The Board secretary is responsible to ensure that all directors receive the Company's latest business development and renewed statutory information.

Compliance procedures of the Code of Corporate Governance Practices - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• Each newly appointed director should receive induction on the first occasion of his appointment, to ensure that he has a proper understanding of the business and operations of the issuer and that he is fully aware of his responsibilities under applicable legal requirements and regulatory policies	Yes	• Upon the appointment of a new director, the Company has provided related information to the new director in a timely manner and arrange training for the director, including introduction of the Company's business, responsibilities of directors, the Company's rules and regulations and domestic and overseas statutory requirements.
• Functions of non-executive directors	Yes	• The Company's non-executive directors have actively attended Board meetings, and acted as members of various special committees, inspected the achievements of the Company's business objectives, and provided independent opinion on the decisions of the Board.
• The director should ensure that he can give sufficient time and attention to the affairs of the issuer	Yes	• All directors of the Company have diligently discharged the duties of directors. The attendance of directors in the meetings of the Board and various special committees in 2010 was 99%, showing that the directors have spent sufficient time on the Company's business.
• The directors must comply with the Model Code set out in Appendix 10	Yes	• Having made specific inquiries to all directors, all directors of the Company confirmed in writing that they had continuously complied with the standards as required in the Model Code for the year ended 31 December 2010.

Code provisions	Compliance	Procedures of Corporate Governance
Recommended Best Practices		
• All directors should participate in a programme of continuous professional development	Yes	• All directors have the opportunities to receive professional training programmes arranged by the Company during their terms of appointment.
• The directors should upon their appointments (and thereafter) disclose their positions and other major commitments in other entities	Yes	• Each of the directors has upon the acceptance of appointment provided the Company with its positions and other major commitments in other companies.
• The directors should ensure their regular attendance and active participation in Board meetings, the meetings of the subordinate committees and shareholders' general meetings	Yes	• The directors have actively attended Board meetings and meetings of the special committees, and majority of the directors have attended shareholders' general meetings.

A6. Supply of and access to information

Principle of the Code • Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them make informed decisions and to discharge their duties and obligations.
The current best situation in the governance of China COSCO • The Board secretary is responsible for the provision of all information to the directors, including documents for the meetings of the Board and the special committees, regular provision of the reports of the Company's business progress, financial targets, development plans and strategic plans, as well as latest information on other statutory requirements relating to the Listing Rules, and for the continued enhancements of the quality and timely release of information.

Compliance procedures of the Code of Corporate Governance Practices - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• The documents of the meetings of the board/ committees should be sent to the directors at least three days before the date of the meetings	Yes	• All documents of the past meetings of the Board and special committees were sent to each of the directors three days before the meetings.
• The management is responsible for the provision of adequate information in a timely manner to the board and its subordinate committees, so as to enable the board to make informed decisions. Each director should have separate and independent access to the senior management of the company for further inquiries	Yes	• The management of the Company has been able to provide sufficient information to the Board and its subordinate committees in a timely manner. The directors have been able to communicate with the management of the Company by themselves to obtain further information required.
• All directors are entitled to access to the board papers and related materials, where queries are raised by directors, steps must be taken to respond as promptly and fully as possible	Yes	• The documents of the Board and the special committees are being kept by the Board secretary, and are available for the inspection by all directors at any time. The Company shall arrange related personnel to give timely response in respect of the questions raised by directors.

B. Remuneration of Directors and senior management

B1. The level and make-up of remuneration and disclosure

Principle of the Code
• The Company should set up formal and transparent procedures for setting policy on executive directors' remuneration for fixing the remuneration packages for all directors. No director should be involved in deciding his own remuneration.
The current best situation in the governance of China COSCO
• The Company has set up a Remuneration Committee. The terms of reference of the Remuneration Committee includes determination, review of the remuneration policies and plans of the directors and managers of the Company. • In 2010, the Remuneration Committee convened one meeting to consider and approve: the annual performance appraisal on share appreciation rights grantees for the year 2009, the exercise of share appreciation rights, the management appraisal and remuneration for senior management for 2009, and annual assessment and review of remuneration for directors/supervisors of China COSCO and review of duties performed by the Remuneration Committee for 2009. The committee also considered achievement appraisals for senior management and made recommendations to the Board accordingly.

Compliance procedures of the Code of Corporate Governance Practices - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• The issuer should set up a remuneration committee, a majority of the members should be independent non-executive directors	Yes	• The Company established a Remuneration Committee, chaired by independent non-executive director Mr. CHENG Mo Chi. The other two members are Mr. XU Lirong (non-executive director) and Mr. Alexander Reid HAMILTON (independent non-executive director), with independent non-executive directors representing more than two-thirds of the members. The terms of reference of the Remuneration Committee have been published on the Company's website.
• The remuneration committee should consult the chairman or the CEO in respect of the remuneration of other executive directors	Yes	• The Remuneration Committee has fully communicated with the Chairman and the General Manager in respect of the remuneration of the directors, supervisors and senior management.
• Functions of the remuneration committee	Yes	• The Company has set up the "Guidelines for the Works of the Remuneration Committee of China COSCO Holdings Company Limited" and clearly set out the duties of the committee.

Code provisions	Compliance	Procedures of Corporate Governance
• The remuneration committee should make available its terms of reference, and shall be adequately resourced to discharge its duties	Yes	• The terms of reference of the Remuneration Committee have been published on the Company's website. The Company's Human Resources Department and the general office have actively cooperated with the Remuneration Committee to perform their works in the discharge of their duties.
Recommended Best Practices		
• A significant portion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance	Yes	• The remuneration of the executive directors and senior management are in general linked with the performance of the Company and their individual performance.
• The issuer should disclose details of any remuneration payable to members of senior management, on an individual and named basis, in its annual reports and accounts	Yes	• The Company has disclosed the remuneration and names of the directors, supervisors and senior management in the annual reports and accounts.

C. Accountability and Audit

C1. Financial reporting

Principle of the Code
• The Board should present a clear and comprehensive assessment of the company's performance, position and prospects.
The current best situation in the governance of China COSCO
• In all regular financial reports issued to shareholders, the Board has put efforts to make the contents comprehensive, and has complied with the regulatory requirements of both the stock exchanges in Hong Kong and Shanghai, and continued to improve the management discussion and analysis, and made comprehensive disclosures on the Company's production operation, financial position and project developments. At the same time, proactively increasing the amount of information, including information on the Company's operation environment, development strategies, corporate culture, strengthening corporate governance reports, making comprehensive, objective, fair and clear descriptions on the operation management and prospects of the Group.

Compliance procedures of the Code of Corporate Governance Practices - Code provisions and the recommended best practices

Code provisions	**Compliance**	**Procedures of Corporate Governance**
• Management should provide such explanation and information for the board to make an informed assessment on the relevant matters	Yes	• The management of the Company has provided the Board with information on the Company's business progress, development plans and financial targets from time to time as the grounds for the Board to make appraisals.
• The directors should acknowledge their responsibilities for preparing the accounts and auditors should make statement about their reporting responsibilities in the report	Yes	• The directors have repeated their declarations of responsibilities in preparing financial statements which truly and fairly reflect the Company's situation in the financial year. • The auditors' reports have specified the reporting responsibilities of the auditors.

Code provisions	Compliance	Procedures of Corporate Governance
• The board should make a balanced, clear and understandable assessment on the company's performance in its regular reports, announcements involving price sensitive information and other discloseable financial information	Yes	• In its regular reports and external announcements, the Board has made objective, fair and clear descriptions on the situation and prospects of the Company and its subsidiaries.
Recommended Best Practices		
• The issuer should announce and publish its quarterly financial results within 45 days after the end of the relevant quarter	Yes	• In addition to the reports on annual and interim results, the Company has also prepared and issued first quarterly and third quarterly results reports. The Company announced and issued quarterly financial results within 30 days after the end of the first and third quarter, and the information disclosed are sufficient for the shareholders to assess the Company's performance, financial position and prospects.
• Once the issuer decides to announce and publish its quarterly financial results, it should continue to adopt quarterly reporting		

C2. Internal controls

Principle of the Code
• The board should ensure that the issuer maintains sound and effective internal controls to safeguard the shareholder's investment and the issuer's assets.
The current best situation in the governance of China COSCO
• The Board has authorized the management to establish and promote its internal control system, to review the relevant financial, operational and regulatory control procedures from time to time, so as to protect the Company's assets and the shareholders' interests. Currently the system is being further established and improved. • In its organization structure, the Company has set up an internal audit department to conduct regular inspections, supervisions and appraisals on the Company's financial position, operation and internal control activities according to different business and process flows, and has appointed external audit firms to make regular audits on the Company's financial reports based on the China and Hong Kong accounting standards, and provided independent and objective appraisals and proposals by way of audit reports.

Self-assessment Report on Internal Control

I. The Board's Statement on the Truthfulness of the Internal Control Report

The Board of the Company and all the directors confirm that the contents of this report have no false representation, misleading statement or material omission and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the contents of this report.

II. Overall Assessment on Internal Control

In 2010, China COSCO Holdings Co., Ltd. (the "Company") formulated a proposal on the "Establishment of Internal Control" and completed the first assessment on its internal control in accordance with the "Internal Accounting Control Standards - Basic Standards (Provisional)" promulgated by the Ministry of Finance, the "Guidelines on Internal Control for Listed Companies" issued by the Shanghai Stock Exchange, and with reference to the "Basic Standards for Corporate Internal Control" jointly issued by five ministries led by the Ministry of Finance. The Company has also improved the internal control assessment system in advance in accordance with the "Guidelines for Assessment on Corporate Internal Control". The internal control assessment procedures will also be revised in accordance with the new requirements. As such, the internal control system will be implemented in compliance with the "Basic Standards for Corporate Internal Control" and its guidelines which are effective from 2011.

In accordance with the "Guidelines for Assessment on Corporate Internal Control", the Company further improved its existing internal control and risk management systems and the assessment of the effectiveness of these systems. The Company formulated a template of Internal Control Assessment Report in 2010 for the Company and its subsidiaries for assessment of internal control and rectification of defects. Further to our assessment and rectification and based on our corporate governance philosophy, the Company will establish a comprehensive and effective internal control system and improve the risk management ability. The system shall regulate the rights, interests and obligations of the Company, its subsidiaries and their respective related parties in line with the strategic objectives of the Company. The system shall also align the internal control measures of the Company, its subsidiaries and their respective related parties.

In order to ensure the success of the internal control assessment, the Companyheld a kick-off meeting at the headquarters on 9 December 2010 and organised a steering group to supervise and review the assessment. A working group was established under the steering group to conduct the assessment of internal control. All participating subsidiaries also established their working teams and each department of the headquarters had a coordinator to facilitate the assessment of internal control system.

During the assessment of our internal control, seminars and training programs were organised at the headquarters and subsidiaries. The Company identified loopholes in the internal system and procedures through questionnaire, interview and on-site inspection to the functional departments and critical operation procedures. Based on the findings of the assessment, reports were prepared by the subsidiaries to set out the general assessment results, defects identified and proposed improvements. The Company consolidated the reports from the subsidiaries to prepare a comprehensive report on self assessment of internal control in accordance with the "Guidelines for Assessment on Corporate Internal Control" to reflect the overall conditions of the Company's internal control for the review by the regulatory authority and other stakeholders.

III. Basis of Internal Control Assessment

In order to standardize the assessment procedures and assessment report of internal control, and to identify and prevent risk, the Company conducted a review and assessment on the internal control of the Company and its subsidiaries in 2010 in accordance with the "Internal Accounting Control Standards - Basic Standards (Provisional)" and relevant regulations promulgated by the Ministry of Finance, the "Guidelines on Internal Control for Listed Companies" issued by the Shanghai Stock Exchange, and with reference to the "Basic Standards for Corporate Internal Control" jointly issued by five ministries led by the Ministry of Finance and the "Handbook for Internal Control" issued by the Company.

IV. Scope of Internal Control Assessment

The internal control assessment exercise involved China COSCO and six of its subsidiaries, namely COSCO Container Lines Company Limited, COSCO Bulk Carrier Co., Ltd., COSCO Logistics Co., Ltd., COSCO Pacific Limited, COSCO (Hong Kong) Shipping Co., Ltd. and Qingdao Ocean Shipping Company, and covered procurement, assets management and sales activities. Some major production units were selected to for assessment of internal control to ensure the depth and width of the internal control assessment.

The internal control assessment was conducted to examine the workflow of major business of China COSCO in accordance with the "Internal Accounting Control Standards - Basic Standards (Provisional)" formulated by the Ministry of Finance and relevant specific regulations as well as the "Guidelines on Internal Control for Listed Companies" issued by the Shanghai Stock Exchange and by referring to the requirements of "Guidelines for Corporate Internal Control Application" jointly issued by five ministries including the Ministry of Finance. The assessment was focused on the structure and implementation of internal control system. Findings of the assessment were reported to the Risk Control Committee for their consideration and has been reported to the Audit Committee.

V. Procedures and Method of Internal Control Assessment

The Company has formulated internal control assessment plan which explicated the procedures, staffing, schedule and other relevant matters.

The internal control assessment had four stages:

1. Preparation: To determine the structure of the assessment team and working procedures and to prepare assessment forms as well as other tools.

2. Evaluation: To evaluate the effectiveness of internal control and to identify defects of internal control of the Company through questionnaire, interview and on-site inspection.

3. Improvement: To propose improvement of the procedures and structure of the relevant department to address the defects identified during assessment and propose the schedule of improvement.

4. Preparation of self-assessment report: To prepare a report on self assessment of internal control based on the findings of the assessment and improvement done.

In accordance with the “Basic Standards for Corporate Internal Control” jointly issued by five ministries including the Ministry of Finance, the internal control assessment was designed to assess 889 elements in respect of 18 areas of the internal control system, including structure, development strategy, human resources, social responsibilities, corporate culture, funding activities, procurement, assets management, sales, research and development, engineering, guarantee, outsourcing, financial reporting , comprehensive budget, contract management, internal communication and information system. The assessment was conducted through questionnaire, interview and on-site inspection to evaluate the effectiveness of the structure and implementation of the internal control system of China COSCO and its subsidiaries.

In order to examine the comprehensiveness and completeness of the internal control system and its effectiveness in normal business, the self assessment covered all major workflows of operation with focus on the critical business in respect of the entire value chain.

VI. Establishment of Internal Control System

In 2010, the Company established the internal control system according to the "Internal Accounting Control Standards - Basic Standards (Provisional)" promulgated by the Ministry of Finance and relevant specific provisions as well as the "Guidance on Internal Control for Listed Companies" issued by the Shanghai Stock Exchange, and formulated the "Outline of the Establishment of Internal Control System" pursuant to the "Basic Standards for Corporate Internal Control" jointly issued by five ministries including the Ministry of Finance. According to the outline, the establishment and reform of internal control system was carried out in 4 stages including investigation and evaluation, system construction and improvement, review and examination, system integration and construction of information system. At the first stage, the Company planned to launch investigation and compliance review and evaluation on the internal control of China COSCO and 6 subsidiaries, and to conduct risk assessment at the headquarters in order to identify and analyse the defects in internal control system and risk distribution of China COSCO. At the second stage, internal control improvement plans for China COSCO and its subsidiaries were formulated according to the results of investigation and compliance review and evaluation on internal control system, and the internal control systems and measures at the subsidiary level were established and refined on basis of the framework of internal control system at the headquarters. At the third stage, the Company set up the assessment mechanism for the effectiveness of China COSCO's internal control in accordance with the Guidelines for Assessment on Corporate Internal Control, which included the criteria and procedures for evaluating the effectiveness and identifying defects of internal control in order to provide adequate and standardized rules and procedures for independent evaluation, audit and supervision. The Company also examined the implementation of internal control improvement in subsidiaries to ensure the effective operation and continuous improvement of their internal control systems. At the fourth stage, the Company adjusted and integrated the internal control systems at different levels based on the achievements in internal control establishment of the parent company and subsidiaries to ensure the consistent application and effective implementation of internal control measures and procedures at each level of the Company. The Company planned and constructed the information system for internal control based on the existing information system of the Company in accordance with the internal control regulations of the Ministry of Finance and the requirements of the Company.

The Company has investigated and analyzed the current internal control of the Company since the second half of 2010 according to its internal plan. As internal control insufficiency and deficiencies were identified, guidelines were given to the relevant departments of the head office and the subsidiaries for internal control improvement. To carry out risk assessment on its head office, the Company has formulated a framework for the internal control system and prepared documents for work standards and procedures. The Company has also planned and established the information platform of its internal control based on the current development of its informationization with professional risk management and internal control. The Company has also formulated the improvement of the establishment of the internal control system of China COSCO in advance under its internal control establishment plan according to new requirements. Currently, the Company has completed the first stage of the establishment of its internal control system which has laid a foundation for the implementation of its internal control in accordance with the "Guidelines" in 2011.

Conclusion has been drawn from the assessment of internal control system of the Company that the Company has established a complete internal control system and procedure framework comprising basic internal control elements, including the internal environment, risk assessment, control activities, information and communication and internal monitoring, in respect of 18 aspects including structure, development strategy, human resources, social responsibilities, corporate culture, liquidity, procurement, asset management, sales, research and development, project development, guarantee, outsourcing, financial report, comprehensive budget, contract management, internal communication and information system. As such, a unified management system for internal control has been established. Details of the system are as follows:

(I) Internal Environment

The Company has identified and evaluated the element of internal environment according to the internal environment requirements and the guidelines in respect of structure, development strategy, human resources, corporate culture, social responsibilities under the"Basic Standards for Corporate Internal Control".

1. Structure

The Company has established a sound corporate governance structure which consists of the shareholders' general meetings, the Board, the Supervisory Board, the management and the functional organs. The Board comprises 10 members including the Chairman and directors. The Supervisory Board comprises 6 members including the Chairman and supervisors. The management comprises 7 members including managers, CFO, and the Secretary of the Board.

Corporate Governance Report

The establishment of the Company's corporate governance structure is in strict compliance with requirements of the Company Law of the PRC and the regulations of regulatory authorities including the Chinese Securities Regulatory Commission and the Hong Kong Securities and Futures Commission. The Company is committed to the continuous improvement of its governance structure, rules of procedure and procedures for making decisions by the Board, the Supervisory Board and the management. The management duly performs its duty pursuant to the Company Law of the PRC and the Articles of Association of the Company. The Board of Directors is the decision-making organ of the Company in which the Chairman is the legal representative. Members of the Board are appointed in shareholders' general meetings and are accountable to the shareholders. The Supervisory Board comprises the authorised representatives of shareholders, staff representatives and independent Supervisors. The Supervisory Board is responsible for reviewing the Company's financial condition and supervising the discharge of duties by the directors and senior management. The senior management consists of the general managers, deputy general managers, CFO and the Secretary of the Board. The Company has established the accountability system of general managers under the leadership of the Board. According to the requirements of the Articles of Association of the Company, the senior management of the Company, including general manager, deputy general managers, CFO and the Secretary of the Board, shall be appointed and dismissed by the Board. The general manager is the head of the senior management who mainly perform his/her duties pursuant to authorisation by the Board whereas deputy general managers and other members of the senior management perform their duties under the leadership of the general manager.

The Board has several subcommittees, including the Strategic Development Committee, the Risk Control Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Implementation Committee. The Risk Control Committee is the approval authority for establishing the Company's internal control system and its overall risk management system. The Audit Committee is the monitoring and supervising authority regarding the effectiveness of the Company's internal control.

The head office of the Company has reasonably set up internal organisations. It clearly defines the duties of each organisation through formulating internal control system or preparing relevant documents in respect of organisation structure, duties of departments, performance standards and authorisation guidelines for different positions. As such, the management and staff can fully understand the corporate structure and the duties of each organisation.

2. Development Strategies

Based on the strategic plan of the "Eleventh Five-Year Plan" and in line with its scientific development, the Company exerted great efforts in maintaining the harmony among corporate development, the environment and the community. It enhanced the coordination and sustainable development of the industry, and the environment and the community. Leveraging the proceeds raised from the capital market, the Company also carried out organisational transformation and regulated its operation management in line with the principle of overall planning and implementation in phases. It also continuously strengthened its capacity of sustainable development. By the year of 2010, the Company successfully realized its strategic development target of the "Eleventh Five-Year Plan" and completed the preparation for the "Development Plan for the 'Twelfth Five-Year Plan' of China COSCO".

The Company's mission is to establish, develop and consolidate its leading position in the international shipping and logistics industry, maintain trustworthy and harmonious relationships with its customers, employees, investors and business partners, pursue sustainable development and strive for maximum returns for to its shareholders, the community and the environment. This mission is the fundamental and ultimate target of the Company's internal control system. The implementation of the internal control of the Company and its subsidiaries aim to fulfill this mission. The Company is committed to provide high quality and efficient services to global customers on a safe, healthy and environmental-friendly basis. The Company aims to incorporate this mission into its Global Compact so as to achieve harmony among human, society and nature. To reinforce its internal risk control ability is seen as one of the means to strengthen the Company's core competitiveness, to ensure the preservation and increase of the value of its assets and to achieve its sustainable development.

Based on its people-oriented and market-oriented principle, the Company carried out rational and effective measures to fulfil its corporate responsibilities and adhered to its dual-wheel driven development strategy focusing on production and operation. Efforts were made in its international shipping and logistics businesses. It also developed ancillary shipping businesses. The Company also facilitated the transformation of China COSCO from an integrated shipping enterprise to a leading enterprise with comprehensive development which comprises shipping and logistics subsidiaries. Through the transformation, China COSCO also changed from a company which was engaged in cross-border operations to a multinational and global company. As a result, its overall strategic objective of solid, rapid and sustainable development was achieved.

Corporate Governance Report

In light of the overall strategic objectives, the Company adopted methods and measures (such as total quality management (TQM), 6-Sigma, streamlined management, enterprise risk management (ERM) and digital management etc.) by means of modern management tools. Objectives for management, environment protection, safety and quality management were reinforced to facilitate the transformation from cyclical development to sustainable development of China COSCO. The focus was on software-oriented development instead of hardware-oriented development. Aside from acquiring resources, it placed more emphasis on social resources allocation. Revenue was generated from both production and operation instead of solely relying on production. It classified the overall strategic objectives into four aspects, namely economic performance, social performance, corporate governance and labor and human right performance, to ensure effective implementation.

3. Human Resources

Based on its people-oriented principle, the Company formulated human resources management policies, such as the "Administration Regulations of Labor Contracts of China COSCO Holdings Company Limited" （中國遠洋控股股份有限公司勞動合同管理辦法）, the "Administration Regulations of Remuneration of Staff of China COSCO Holdings Company Limited (Provisional)" （中國遠洋控股股份有限公司員工薪酬管理辦法（試行））, and the "Management Procedures of Human Resources" （人力資源管理程序）, in accordance with the requirements of the "Labor Law of the People's Republic of China" （中華人民共和國勞動法）, the "Labor Contract Law of the People's Republic of China"（中華人民共和國勞動合同法）and the "Implementation Rules of the Labor Contract Law of the People's Republic of China"（中華人民共和國勞動合同法實施條例）. The Company strictly complied with the requirements of the PRC law and regulations in respect of staff recruitment, management, assignment, removal and resignation. It entered into labor contracts with its employees in strict accordance with which both parties exercise their power and perform their obligations. As for training, the Company formulated relevant management regulations and training plan at the beginning of the year. The training programmes were tailor-made for different talents of different levels in accordance with the training plan. In respect of remuneration, assessment and promotion, the Company established a remuneration system in which basic salary was a principal component. Remuneration package of staff included basic salary, incentive, performance bonus and annual bonus. The remuneration package was determined by seniority and performance, which helped to strengthen the assessment mechanism. The career path was made clearer with better promotion opportunities.

4. Corporate Culture

The Company focuses on the cultivation of corporate culture and continuously enriches corporate culture essence. The core concept of “Success in global development and coordination”（全球發展、和諧共贏）has been proactively strengthened to cultivate exceptional corporate culture for leading future development.

The Company highly values the overall planning of the cultivation of corporate culture and has formulated the “Twelfth Five-Year Corporate Culture Cultivation Plan”. Also, the Company has developed and refined its “Corporate Culture Cultivation Guideline” and “Staff Handbook”. The corporate culture has been reinforced by enriching reference cases of corporate culture, carrying out education activities of special themes and establishing demonstration depots of corporate culture. Other initiatives included the launch of a corporate culture exhibition titled “Online Spiritual Home”（網上精神家園）and the cultural month for staff.

The Company has established sound corporate culture and behavior identification system, which clearly illustrates the standards of the Company’s corporate image and the employees’ code of conduct. As stipulated in the code of conduct, all employees shall strive to create a good profile of and a promising future for China COSCO with a strong sense of honor and responsibility and in compliance with code of conduct.

5. Social Responsibility

The Company undertakes social responsibility as a world-class multi-national corporation with a global mindset and insight.

The Company attaches great importance on safety production. In 2010, aiming to ensure safety management, the Company carried out safety production according to a series of government policies and measures on safety production. To strengthen effective management, the Company launched the “Safety Production Year” Campaign. Through enhancing training, optimising operation systems, enhancing supervision and implementation, the Company effectively avoided the occurrence of significant accident. The general safety condition during the year was satisfactory and safety production was proven successful.

Through establishing specific mechanisms and implementing various measures, the Company placed emphasis on security and health of customers and consumers in all aspects, such as product development, design, implementation and after-sales services. The Company utilised IT technology to promote its products and services effectively. With its adherence to its code of practice, “To be sincere and reliable”（誠行四海，信立天下）, the Company ensured its operation in compliance with laws and the integrity of production and consumption.

The Company continued to carry out low-carbon development plans in its operation. By strengthening the management of fuel consumption, increasing the number of vessels and reducing vessel speed, the consumption of fuel decreased. The Company promoted green shipping to position itself as an environmental-friendly member of the CKYH Alliance. In compliance with the "Qingdao Declaration", the Company advocated extensive reduction in vessel speed and carbon emission to ensure sustainable development of the shipping industry. Furthermore, the Company adhered to its green development philosophy to promote environmental protection by scientific and technological means. In order to fulfill its social responsibility, the Company exerted its effort in becoming an energy saving and environmental-friendly enterprise.

The Company aimed to protect the occupational health and safety of employees and build harmonious labor relationships with employees. Through scientific and people-oriented development, the Company adopted diversified management for its employees and its culture so as to attract, encourage and employ talents from different countries. The Company was also devoted in protecting the interests and occupational health and safety of its employees. Under the requirements of international and PRC relevant laws, regulations, conventions and rules, the Company formulated relevant polices in respects of engagement, management and utilisation, and the occupational health and safety and benefits of employees so as to ensure the harmony and consistent practice between employees and the Company.

(II) Risk Assessment

The Company identified the operational and management risks, conducted risk analysis and carried out response strategy in accordance with the risk assessment requirements of the "Basic Standards for Corporate Internal Control" and with reference to the major risks listed on various application guidelines.

When formulating its strategic objectives and sub-objectives, the Company made efforts to carry out risk identification and assessment. It actively responded to and coped with the imminent and potential risks arising from the strategic development and related value chains of its shipping businesses. It strived to prevent risks arising from investment businesses. By incorporating the risk appetite and risk tolerance in its risk assessment, the Company ensured its control over the risks that might have influences on the strategic objectives and the effective implementation of its overall strategic objectives.

The Company unified the procedures and formulated the model and standards for risk assessment. Risks were identified and assessed and classified into different categories with reference to their probability and influence. The Company subsequently formulated the assessment standards for major risks according to the risk appetite confirmed by directors. Based on the priority principle of internal control, risks were prioritized and the risk response measures were mapped out for identifying significant deficiencies of major risks and determining the major follow-up measures of the management.

In its risk assessment of 2010, the Company analyzed the changes of internal and external environment in response to the influence of uncertain future development on the Company's objectives. The Company organised risk identifying activities with the participation of all its staff members through the risk control information platform. In respect of 6 first-tier risks and 62 second-tier risks, the Company identified the particular occurrence and patterns of potential risks. As a result, 923 risk events were identified and updated. The Company analyzed the reasons, influences, prevention measures, improvement suggestions and evaluation standards of different risks. With the use of the risk assessment model, the Company prioritized its risks and ranked its top ten risks which required more attention and higher risk management level in the process of business operation.

In respect with the top ten risks, the Company clarified risk control obligations and formulated specific risk management measures such as risk acceptance, transfer, mitigation, avoidance and utilisation in accordance with the overall risk appetite and risk tolerance.

(III) Control measures

In accordance with the "Basic Standards for Corporate Internal Control" and its practice notes, the Company evaluated the internal control in respect of funding activities, procurement, asset management, sales, research and development, construction project, guarantee, outsourcing, comprehensive budget and contract management.

1. Separation of different functions

   The Company has reviewed and streamlined its operation structure by eliminating 356 unnecessary procedures. The Company has also restructured its organization to have different functions performed by independent persons to avoid conspiracy.

2. Control on delegation of powers

   The Company has explicitly defined the responsibilities of each of the shareholders' general meeting, the Board, the Supervisory Board and the management in the Articles of Association. Their performance is effectively regulated by the rules and procedure to ensure their independence so that they can supervise each other. The Company has also specified different approval procedures for general transactions, connected transactions and risk investment of various amounts and characteristics. The approval procedures are also adopted by the subsidiaries of the Company (whether wholly-owned or not) to ensure their operation is managed in an orderly manner.

3. Control on accounting system

The Company has adopted and strictly complied with the accounting standards of China in the management of accounting activities, preparation of financial reports, consolidation of accounts, internal audit, disclosure and filing of financial reports, external audit and analysis. The Company has in place a strong internal management and control system to ensure the truthfulness, completeness and usefulness of the financial reports.

4. Safeguard of assets

The Company has formulated a system to manage its fixed assets in accordance with the requirements for fixed assets management of state-owned enterprises. The acquisition, management, application and disposal of fixed assets are regulated by specified procedures and rules. A registration card system under the SAP system is adopted to register the particulars of fixed assets for stock taking and auditing by fixed assets management department and the financial department. Obsolete assets will be disposed of regularly in accordance with the pre-determined asset disposal procedures. The subsidiaries have also adopted their asset management system and procedures to enhance the management of fixed assets, receivables and inventories.

5. Budget control

The Company has a budget control department to oversee the budget preparation and control of the Company and its subsidiaries. Each of the Transportation Department, Strategic Development Department, Human Resources Department and Safety Department has their independent budget which is prepared and regularly revised through bottom-up, top-down or integrated procedures depending on their particular situation. On-going budget control is conducted through on-site inspection, interview, monthly progress report and audit.

6. Operation control

The Company collects and analyses the information of each of the shipping markets and its competitors and changes its business strategies and operations accordingly with a view to avoiding risks, minimizing losses and maximizing profits. The Company also closely monitors the natural disasters and irregular events and takes appropriate remedial actions and responses.

7. Control on performance appraisal

The Human Resources Department of the Company regularly organize the evaluation of the performance of the staff in accordance with the Provisional Staff Performance Appraisal Rules of China COSCO Holdings Company Limited（中國遠洋控股股份有限公司員工考核暫行辦法）. Staff performance appraisal is conducted by each functional department in accordance with the guidelines formulated by the Human Resources Department. Performance appraisal shall be taken into account when a staff is recommended for appointment, training, salary increase and promotion.

Regarding immediate subsidiaries, the Company agrees with each of its immediate subsidiaries their annual business targets which are used as the basis for the determination of the annual remuneration of their management. The performance appraisal of the management of immediate subsidiaries is based on the principles of "breakdown of targets, allocation of responsibilities, uniqueness for different companies and industries, importance of achievements as well as contributions, significancy of incentive and salary implication" The performance appraisal of the management of the immediate subsidiaries is based on the agreed target between the management and the CEO of the respective subsidiary.

(IV) Information and Communication

The Company has assessed the effectiveness of the structure and operation of the information and communication system according to relevant information and communication requirement of "Basic Standards for Corporate Internal Control" and the guidelines in relation to internal information distribution, financial reporting and information system.

1. Internal Communication

   Members of the Board obtained information on major events and the financial position of the Company by attending board meetings. Members of the Supervisory Board obtained information on major events of the Company, including its financial position, by attending meetings of the Supervisory Committee and being present at board meetings. Members of the Board and the Supervisory Committee are kept informed of the latest situation of the Company's production and operations, including financial position, each month through the Monthly Report for Directors and Supervisors. The management was updated with the financial information in relation to the profits of the Company at the monthly operation meetings and economic activities analysis meetings, and controlled the financial information through the special "Financial Information Enquiry System" . In addition, the "Financial Data Management System" provides statistics on operation, transport capacity, fuel consumption, load factor etc. Employees can obtain news related to the Company and operational information via the intranet and communicate with the senior management directly via the shortcut of "GM/Party Committee Secretary Suggestion Box" on the intranet. Daily document transfer and expense claim approval can be processed by the OA system. Confidential documents are circulated encrypted. Application forms are used for approval of requisitions, and contact sheets are used for communications between divisions. Feedback forms are submitted afterwards to enable tracking.

2. External Communication

The Company maintains close contact with the investors, media and regulatory authorities through various channels. Investors and financial media can obtain information of the Company through phone, e-mail and meeting and interview. The management of the Company also organizes briefing, media meeting, presentation, meeting with investment banks, securities dealers and fund managers. According to the requirements of the regulatory authorities, including the CSRC, Shanghai Stock Exchange, Hong Kong Stock Exchange and SASAC, the Company publishes regular and ad hoc reports and is inquired and inspected by the CSRC, Shanghai Stock Exchange, Hong Kong Stock Exchange and SASAC. The Company submits reports on its listing status to the SASAC. The Company also visits the CSRC, Shanghai Stock Exchange and Hong Kong Stock Exchange when required.

3. Information System

The Company makes references to the information system framework widely used in the industry together with its actual conditions to establish the information control system of the Company covering the IT assets and important IT business procedures so as to ensure the security of the information system of the Company. The Company and most of its subsidiaries have implemented SAP-based financial information system to support centralised management and control and regulated financial standards and processes that are closely connected with business systems. As a result, the quality of the source of financial data is guaranteed, and reliable and updated information are provided for decision making by the senior management. As for the Company's global liner service information system, the worldwide network infrastructure is in place. This management information system infrastructure uses IRIS2 as its core business system, which is compatible with the SAP financial system and MIS business management system, and an e-commerce platform with COSCO features has also been established.

4. Avoidance of malpractice

In accordance with the requirement of the Central Government and the State-owned Assets Supervision and Administration Commission for the establishment of a system to punish and avoid malpractices, the Company has devised an implementation plan. Particular targets in respect of education, system, supervision, reformation, correction, punishment are to be achieved by the heads of the relevant departments and working units. The action plans have details of the schedule, requirements and basis of assessment which can effectively prevent the occurrence of malpractices. The working units and departments strengthened the supervision of staff behaviour, financial activities and assets management of its major business segments, including shipping business, freight forwarding business, trading business, infrastructure projects, procurement and financial management. In addition to general supervision of ordinary business, the Company places more emphasis on the supervision of major risks of malpractices particularly related to each business segment. The Company identifies and eliminates loophole in its operation system to ensure its sustainable and healthy development.

(V) Internal Supervision

The Company has evaluated the effectiveness of its daily supervision and project supervision according to the relevant requirements of internal supervision set out in the “Basic Standards for Corporate Internal Control” and its implementation rules.

1. Daily Supervision

The Supervisory Committee is responsible for the supervision of the operation of the Board and the performance of the members of the Board and Senior Management. It also closely monitors the risks that may hinder the achievement of business targets, threaten the security of the Company’s assets, prevent the disclosure of true and accurate information of the Company and violate the laws and regulations and raises proposals for rectifications and improvement. The Audit Committee under the Board examines the effectiveness of the risk management and internal control system and monitors the implementation and self-assessment of internal control. The Audit Committee organizes inspection and audit of internal control and reviews annual Self-assessment Report on Internal Control. The Company’s internal control inspection team conducts self-assessment on the effectiveness of internal control system every year.

In 2010, under the leadership of the Board and Audit Committee, the Company further enhanced its internal control system by conducting inspection and assessment on the internal control of the Company and its subsidiaries to understand the establishment and operation of the internal control system. The internal control system is improved by eliminating the defects found during inspection and assessment.

2. Project Supervision

In 2010, the Company supervised the operation and efficiency of its projects and took necessary improvement measures to eliminate potential risks and strengthen the management of its projects. During the year, the Disciplinary Committee and Supervisory Committee had reviewed the implementation of the "three major and one significant " decision-making policy by the management. The committees had also reviewed the integrity of the seconded government officials and the management of the Company and their performance in the implementation of strategy of China COSCO. The Company also conducted internal audit, performance assessment and operation inspection of general administration, shipping businessand procurement. According to the requirement of the Central Government, China COSCO had investigated the problem of "contingency funds" and other project problems identified. Overall project governance was enhanced and general management was strengthened by taking initiatives in staff training, accountability, self-assessment and rectification.

VII. Defects of Internal Control Identified

In order to evaluate the structure and operation of internal control, to standardize internal control procedures and assessment report and identify and prevent risks, the Company has established a system to assess the effectiveness of internal control and to identify the defects of internal control according to the relevant requirements of regulatory authorities. In June 2010, the Company assessed the effectiveness of strategic environment and the major activities of internal control system. In respect of the strategic environment of internal control, assessment on the comprehensiveness and effectiveness of the internal control elements was conducted. In respect of internal control activities, assessment on the effectiveness of core procedures of 11 departments of the head office of China COSCO was conducted by random sampling. Through the assessment, the internal audit team is satisfied that the existing internal control of the Company are in compliance with the requirements of the relevant regulations and securities regulatory authorities and is suitable for the management of the Company. The internal control of the Company can ensure the preparation of true and fair financial statements and can prevent the occurrence of significant risks, serious management malpractice and major procedural defaults. The internal audit team did not identify any significant risks, serious management malpractice and major procedural defaults in the internal control system.

To implement the "Basic Standards for Corporate Internal Control" jointly issued by the five ministries, the Company assessed the internal control to identify any defects and propose improvements in accordance with "Guidelines for Assessment on Corporate Internal Control". Unlike previous assessment which was based on historical records and internal operation, our assessment focused on the potential risks of operation procedures. Assessment of the effectiveness of internal control was based on the results of risk assessment. Attention of the assessment was paid to the measures adopted for mitigation of risks. By using the risk-based assessment model, the Company assessed the effectiveness of the internal control system by determining whether existing control measures can reduce the risks to an acceptable level. The assessment of the internal control of the Company also defined the principles of assessment, duties and authority of departments, contents of assessment, methods for assessment, levels of effectiveness and improvement.

The Company carried out assessment on the effectiveness of the planning and implementation of internal control for its head office and subsidiaries in December 2010 in accordance with the requirements of "Guidelines for Assessment on Corporate Internal Control" and with reference to "Guidelines for Corporate Internal Control Application". According to the result of the assessment of internal control, the structure of the internal control system of the Company is generally reasonable and the framework of the system generally complies with the requirements of SASAC and the Ministry of Finance in respect of the completeness, reasonableness and effectiveness of internal control system on the whole. No material or significant defects were found in accordance with the identification standard for internal control deficiencies of the Company. However, the Company is still in the process of improving its initial operation after the comprehensive establishment. Certain general defects do exist according to "Basic Standards for Corporate Internal Control" and its guidelines, which require each department of the head office and subsidiaries to further improve the internal control system and reinforce the implementation of internal control in order to enhance the efficiency and effectiveness of the internal control.

VIII. Rectification of Deficiencies of the Internal Control and Related Measures

The Company has established mechanism for rectification of deficiencies of its internal control. For deficiencies identified in the evaluation of the internal control, the relevant subsidiaries and departments will formulate and implement rectification measures. Subject to the review of the supervisory departments of internal control, the results of the rectification will be evaluated in next internal control evaluation.

For deficiencies of the internal control identified in the internal control evaluation of the head office and subsidiaries in 2010, the head office and subsidiaries of the Company has formulated detailed and clear rectification measures and schedule. The Company will carry out these measures as scheduled.

For deficiencies such as “non-existing system” and “incomplete system”, the relevant departments and the Company will formulate and improve relevant systems and define duties and operating processes clearly. For deficiencies such as “inappropriate system not meeting the actual needs of business”, the relevant departments and the Company will revise and update the related systems and administrative measures and optimise the business procedures so as to ensure the related system meet the actual needs of business development. For deficiencies such as “non-compliance”, the relevant departments and the Company will further refine the assessment system and strengthen the implementation and assessment system of relevant management system gradually in order to strengthen the execution of internal control and speed up the refinement of relevant control equipment (such as computer system). In order to drive the correction of deficiencies of the internal control, the Company will launch the examination of internal control to inspect the formulation and implementation of internal control rectification measures of the relevant departments and subsidiaries.

As the establishment of internal control system is a long-term and complicated project, the Company will formulate the overall plan of the establishment of internal control in accordance with the requirements of the “Basic Standards for Corporate Internal Control and Supplemental Guidelines” jointly issued by the five ministries and taking into account of the internal control deficiencies identified in the evaluation and rectification process. The Company will set annual objectives and implemented the plan by stages. Based on the concepts of comprehensive risk control management, which emphasizes on the corporate governance, the Company will guide its subsidiaries to rationalize the system and procedures of their internal control and to carry out comprehensive risk assessment. Through the above measures, the Company will be able to coordinate and integrate the important components of internal control of every internal and external aspects of the Company so as to ensure a consistent operation of its internal control. The management of the Company will also be refined and standardized and the comprehensive risk prevention capability of the Company will be enhanced. Consequently, the strategic objectives and the sustainable development of the Company will be achieved.

IX. Conclusion on Effectiveness of Internal Control

After the inspection and evaluation of the internal control system, the Company considered that it has established an effective internal control system which is able to identify, evaluate and make response to the risks of the Company. With its sound and comprehensive internal control system and standardized operating procedures, the capability of information transmission and communication as well as the internal control of the Company was strong. Besides, the internal control system of the Company was implemented effectively. The existing internal control system of the Company is in compliance with the relevant regulations of PRC and requirements of securities regulatory authorities and meets the needs of the management of the Company. It guarantees the truthfulness and completeness of financial reports and reasonably mitigates material risks, serious management fraud and significant errors in processes. Accordingly, the Company considered that it has a reasonable and effective internal control system which provides a reasonable gurarantee for the Company to achieve the objectives of its internal control. Furthermore, the Company was able to analyze and refine its control system objectively so as to fulfill the needs of the development of the Company.

The Board of Directors of the Company considered that, for the period from 1 January 2010 to the end of the reporting period, the internal control system of the Company was effective.

China COSCO Holdings Company Limited
Board of Directors
29 March 2011

Compliance procedures of the Code on Corporate Governance Practices - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• The Directors should at least annually conduct a review of effectiveness of its internal control systems (Including the financial control, operational control and compliance control and risk management functions)	Yes	• The Company has placed strong emphasis on its internal control, and has established an internal control system, and set up an internal audit department in its organization structure to perform supervision and control on the Company's finance, business, compliance and risk management. The Company's financial controller has reported to the Audit Committee and the Board on the internal control each year for the appraisals by all directors.
Recommended Best Practices		
• The issuer should ensure their disclosures provide meaningful information	Yes	• In all the announcements issued to shareholders, the Company has ensured that the information disclosed was meaningful, and has warranted that there were no false records, misleading statements or material omissions in the information, and assumed individual and related responsibilities on the truthfulness, accuracy and completeness of the contents.

C3. Audit Committee

Principle of the Code
• The audit committee should have clear terms of reference, including arrangements as to how it will apply the financial reporting and internal control principles, and shall maintain an appropriate relationship with the company's auditors.
The current best situation in the governance of China COSCO • The Board of the Company has set up an Audit Committee, chaired by Mr. Alexander Reid HAMILTON, an independent non-executive director. Other members include Ms. SUN Yueying (a non-executive director) and Mr. CHENG Mo Chi (an independent non-executive director) who have professional skills and experience on financial management. All the members are non-executive directors, of which two are independent non-executive directors, and one independent director has been appointed with professional qualification and professional experience in financial management. • The Audit Committee is mainly responsible for the supervision of the internal design system of the Company and its subsidiaries and its implementation; audit on the financial information and disclosures of the Company and its subsidiaries; review on the internal control system (including financial control and risk management) of the Company and its subsidiaries; making designs on material connected transactions and communications; supervisions and verifications on the Company's internal and external audits. • In 2010, the Audit Committee has convened four meetings, wherein the management and the financial controller reported the Company's financial situation and material issues relating to internal control.

Compliance procedures of the Code on Corporate Governance Practices - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• Full minutes of the audit committee shall be kept by a duly appointed secretary, and confirmed by all the members of the committee	Yes	• The minutes and related information of meetings of the Audit Committee are properly kept by the Board secretary. The minutes of meetings of the Audit Committee have detailed records on the matters considered in the meetings, and are confirmed by all the members present in the meetings.
• The former partner of the existing auditors shall not be a member of the audit committee	Yes	• Mr. Alexander Reid HAMILTON, the chairman of the Audit Committee was a partner of PricewaterhouseCoopers. He resigned from his office at PricewaterhouseCoopers about 20 years ago, and is no longer enjoying the financial benefits of the company. • Audit Committee members Mr. CHENG Mo Chi and Ms. SUN Yueying are not former partners of the external auditors.
• The terms of reference of the audit committee shall be made public in a timely manner	Yes	• The Company has set up a written terms of reference of the Audit Committee, specifying the terms of reference and rules of procedures of the committee. The related contents have been set out on the Company's website.
• The board shall obtain recommendation from the audit committee on the appointment or removal of external auditors	Yes	• The Audit Committee has made proposals to the Board in respect of the election or removal of external auditors, which after consideration by the Board, are subject to approval by the general meeting.

Code provisions	Compliance	Procedures of Corporate Governance
• The audit committee shall be adequately resourced to discharge its duties	Yes	• The Company's supervision department and general office actively assisted the Audit Committee to perform its works. The members are entitled to consult independent professional opinions based on agreed procedures, at the expense of the Company.
Recommended Best Practices		
• To monitor the relationship of the issuer and external auditors	Yes	• There are members of the Audit Committee acting as major representatives between the Company and the external auditors, and responsible for the monitoring and coordinating of their relationship.

D. Delegation by the Board

D1. Management Functions

Principle of the Code • The issuer should have a formal schedule of matters specifically reserved to the board for its decisions and which may be delegated to the management, and give directions to the management on matters that must be approved by the board.
The current best situation in the governance of China COSCO • The main power of the Board includes to convene shareholders' general meetings; to decide the Company's operation plans and investment plans and the allocation of the Company's internal management bodies; to prepare the Company's annual financial budgets, final accounts and profit distribution plans; to propose plans for the Company's merger, division and dissolution and material acquisition or disposal plans; and implement resolutions of the general meetings. • The Board may delegate part of its power to the special committees and the management, and specify matters that must be approved by the Board.

Compliance procedures of the Code on Corporate Governance Practices - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• When the board delegates aspects of its management and functions to management, it shall at the same time give clear directions as to the power of management	Yes	• The management is accountable to the Board. Its main duties include leading the Company's operation and management, organizing the implementation of Board resolutions, conducting and implementing economic activities such as investment and asset disposals relating to the Board resolutions, and making reports to the Board. The management may not surpass the scope of its power and the Board resolutions in the exercise of its power.
• The issuer should formalize the functions reserved to the board and those delegated to the management, and shall review on a periodic basis	Yes	• In the Rules of Procedures of the Board of Directors and Guidelines for the Works of the General Manager, the Company has specified matters requiring resolutions of the Board and functions to be delegated to the management.
Recommended Best Practices		
• The issuer shall disclose the division of responsibilities between the board and the management	Yes	• In the Articles of Association, Rules of Procedures of the Board of Directors and Guidelines for the Works of the General Manager, the Company has specifically set out the division of responsibilities between the Board and the management, and has made announcements to the public.
• The issuer shall have formal letters of appointment for directors, setting out the terms and conditions relative to their appointment	Yes	• Each of the new directors has received a formal appointment letter, specifying the principle terms and conditions relative to such appointment.

D2. Subordinate Committees of the Board

Principle of the Code
• The establishment of the subordinate committees of the board shall have written terms of reference, which clearly specify the rights and duties of the committees.
The current best situation in corporate governance
• The Board of the Company has six subordinate special committees, including the Strategic Development Committee, the Risk Management Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Executive Committee. The Board shall fully consider the professional skills and experience of the directors when selecting them as the members of the special committees, thereby enabling the work of the committees be performed with high efficiency. Among these, the majority of the members of the Audit Committee, the Remuneration Committee and the Nomination Committee are independent non-executive directors. • Each of the committees has specific working guidelines, setting out the rights and obligations and the rules of procedures of the committees.

The table below sets out the attendance in the meetings of the various special committees (number of attendance in person/number of meetings to be attended)

Name	Position	Strategic Development Committee	Risk Management Committee	Audit Committee	Remuneration Committee	Nomination Committee	Execution Committee
WEI Jiafu	Chairman, Executive Director	—	—	—	—	—	—
ZHANG Fusheng	Vice Chairman, Non-executive Director	—	—	—	—	—	—
ZHANG Liang	Executive Director, President	1/1	—	—	—	1/1	—
LI Jianhong(1)	Non-executive Director	—	1/1	—	—	—	—
XU Lirong	Non-executive Director	1/1	—	—	1/1	—	—
SUN Yueying	Non-executive Director	—	1/1	4/4	—	—	—
CHEN Hongsheng	Non-executive Director	—	—	—	—	—	—
LI Boxi	Independent Non-executive Director	1/1	1/1	—	—	—	—
Alexander Reid HAMILTON	Independent Non-executive Director	—	—	4/4	1/1	—	—
CHENG Mo Chi	Independent Non-executive Director	—	—	4/4	1/1	1/1	—
TEO Siong Seng	Independent Non-executive Director	—	—	—	—	1/1	—

Note: (1) Mr. LI Jianhong resigned from the office of non-executive Director of the Company on 28 October 2010

Compliance procedures of the Code of Corporate Governance Practices - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• The board should prescribe sufficiently clear terms of reference of the committees, to enable such committees to discharge their functions properly	Yes	• The Board of the Company has six subordinate special committees, including the Strategic Development Committee, the Risk Management Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Execution Committee. Each of the committees has specific working guidelines, setting out the rights and obligations of the committees.
• The terms of reference of the committees should require them to report back to the board on their decisions and recommendations	Yes	• The committees have reported to the Board their decisions and proposals after each meeting, and submitted to the Board for consideration matters which require its decision.

E. Communication with Shareholders

E1. Effective communication

Principle of the Code • The board should endeavour to maintain an on-going dialogue with shareholders, and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.
The current best situation in the governance of China COSCO • The Board has endeavour to maintain communication with shareholders, and has taken annual general meetings as the major opportunities to have contact with individual shareholders, where all shareholders holding shares in the Company are entitled to attend the meetings. • Notices and circulars of general meetings shall be dispatched at least 45 days before the meetings, setting out details of business to be considered in the meetings and the voting procedures.

Compliance procedures of the Code of Corporate Governance Practices - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• In the general meetings, a separate resolution should be proposed by the chairman of the meeting in respect of each substantially separate issue	Yes	• Each actual independent matter submitted for consideration by the general meeting has been raised as individual resolution.
• The chairman of the board shall attend the annual general meetings, and arrange the chairman or members of the committees to be available to answer questions of shareholders at the meetings	Yes	• The chairman of the Board has attended the annual general meetings, extraordinary general meetings in person and presided over the meetings, and has arranged the members of the committees and the management to reply to the inquiries of shareholders in the meetings.

E2. Voting by poll

Principle of the Code
• The issuer shall regularly inform shareholders of the procedures of voting by poll, and ensure compliance with the requirements under the Listing Rules and the Articles of Association.
The current best situation in the governance of China COSCO
• The Company has laid down the Rules of Procedures of Shareholders' General Meetings, specifically setting out the ways of voting and voting procedures in general meetings, and ensuring the procedures comply with the requirements under the Listing Rules and the Articles of Association.
• The Company has confirmed the validity of all shareholders present and voted in the meetings, appointed the Company's supervisors, share registrar, legal advisors and representatives of shareholders as the scrutinizers, and appointed lawyers to issue legal opinions on the final results of voting. Results of voting were announced on designated newspapers and the website.

Compliance procedures of the Code of Corporate Governance Practices - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• The voting procedures for and the rights of shareholders to demand a poll should be disclosed in the circulars of general meetings. The chairman of the general meeting and/or directors who, individually or collectively, hold voting rights by proxies shall disclose in the meeting the number of votes represented by proxies held by directors	Yes	• The notice to shareholders' meetings and the circulars of general meetings clearly stated that each of the items to be considered at the shareholders' meeting and voting requirements, and at the same time explained the related procedures at the meetings. The Chairman of the meeting has disclosed the voting results of votes by proxy at shareholders' meeting.
• The votes cast shall be ensured to be properly counted and recorded	Yes	• The Company has appointed the Company's supervisors, share registrar, legal advisors and representatives of shareholders as the scrutinizers, to count all the valid votes and make records. The Company has also appointed lawyers to issue legal opinions on the voting results.
• The chairman of the general meeting should explain the procedures of voting and raising questions by shareholders at the commencement of the meeting	Yes	• Prior to the commencement of the general meeting, the chairman of the meeting shall make explanation on the procedures of the meeting, so as to ensure that all shareholders vote after understanding the voting procedures. In the past general meetings, there were arrangements in the procedures for raising questions by shareholders.

V. Social responsibilities report

The 2010 sustainable development report has been approved and passed by the Board of Directors of China COSCO and will be published on the website of Shanghai Stock Exchange (www.see.com.cn) and the website of the Company (www.chinacosco.com).

VI. Auditors' Remuneration

The Company has appointed PricewaterhouseCoopers as the international auditor of the Company and RSM China Certified Public Accountants Co., Ltd. as the PRC auditor of the Company for 2010.

Fees in respect of audit services, audit related services and non-audit services provided by the above auditors to the Company during the year amounted to RMB41,055,000, RMB11,213,000 and RMB5,914,000 respectively.

Nature of Service

	2010 (RMB'000)	2009 (RMB'000)
Audit service	**41,055**	44,360
Audit related service	**11,213**	11,654
Non-audit services		
– Tax related services	**2,770**	2,906
– Circular related service	**1,388**	1,274
– Other advisory services	**1,756**	15,843

Description of General Meetings

(I) Annual General Meeting

Session	Date of Meeting	Publication of resolutions approved	Date of disclosure of resolutions approved
Annual General Meeting of 2009	18 June 2010	Securities Times, China Securities Journal and Shanghai Securities News	19 June 2010

(II) Extraordinary General Meeting

Session	Date of Meeting	Publication of disclosure of resolutions	Date of disclosure of resolutions
1st Extraordinary General Meeting of 2010	16 December 2010	Securities Times, China Securities Journal and Shanghai Securities News	17 December 2010

Directors' Report

The Board is pleased to present the Directors' Report of the year 2010 together with the audited financial statements of the Group for the year ended 31 December 2010.

Principal Activities

The Group is engaged in providing container shipping, dry bulk shipping, logistics, managing and operating container terminals and container leasing businesses. The Company is an investment holding company and details of the principal activities of the Company's principal subsidiaries as at 31 December 2010 are set out in note 46 to the consolidated financial statements.

Results of the Group

The Group's results for the year ended 31 December 2010 are set out on page 159 of this report.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years are set out in the section headed "Five Year Financial Summary" of this report.

Major Suppliers and Customers

For the year ended 31 December 2010, the Group's purchases attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases, and the aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total sales.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 25 to the consolidated financial statements. The distributable reserves of the Company as at 31 December 2010 were RMB1,063,203,000, being the amount determined in accordance with the China Accounting Standard.

Statutory Reserve Funds

Details of the statutory reserve funds are set out in note 25 to the consolidated financial statements.

Property, Plant and Equipment and Investment Properties

Details of movements in property, plant and equipment and investment properties of the Group and the Company during the year are set out in notes 6 and 7 to the consolidated financial statements.

Employees' Retirement Plans

Details of the employees' retirement plans are set out in note 27(b) to the consolidated financial statements.

Pre-emptive Rights

The Articles of Association of the Company and the laws of the PRC contain no provision for any pre-emptive rights, requiring the Company to offer new shares to shareholders on a pro-rata basis to their shareholdings.

Share Capital

Details of the share capital of the Company are set out in note 24 to the consolidated financial statements.

Directors and Supervisors

The directors of the Company during the year were as follows:

Name	Date of appointment as Directors	Date of resignation as Directors
Executive directors		
WEI Jiafu (Chairman and CEO)	6 June 2008	N/A
ZHANG Liang (President)	6 June 2008	N/A
Non-executive directors		
ZHANG Fusheng (Vice Chairman)	6 June 2008	N/A
LI Jianhong	6 June 2008	28 October 2010
XU Lirong	6 June 2008	N/A
SUN Yueying	6 June 2008	N/A
CHEN Hongsheng	6 June 2008	N/A
Independent non-executive directors		
LI Boxi	6 June 2008	N/A
Alexander Reid HAMILTON	6 June 2008	N/A
CHENG Mo Chi	6 June 2008	N/A
TEO Siong Seng	6 June 2008	N/A

The supervisors of the Company during the year were as follows:

Name	Positions	Date of appointment as Supervisors
LI Yunpeng	Chairman of Supervisory Committee	6 June 2008
WU Shuxiong	Supervisor	3 March 2005
MA Jianhua	Supervisor	26 June 2007
LUO Jiulian	Supervisor	9 June 2009
YU Shicheng	Independent Supervisor	6 June 2008
MENG Yan	Independent Supervisor	9 June 2009

Independence of the Independent Non-executive Directors

The Company has received the letter of annual confirmation issued by each of the independent non-executive Directors as to his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company confirms that all of the four independent non-executive directors of the Company are considered as independent persons.

Biography of Directors, Supervisors and Members of the Senior Management

Biography of directors, supervisors and members of the senior management of the Company as at the date hereof are set out on pages 24 to 31 of this report.

Connected Transactions

Pursuant to Chapter 14A of the Listing Rules, details of the Company's connected transactions, including the related party transactions as disclosed in note 44 to the consolidated financial statements, to the extent that they also constitute connected transactions, are disclosed in the annual report of the Company as follows:

1. On 29 April 2010, COSCO Pacific and its wholly-owned subsidiary Crestway International Limited ("Crestway"), entered into a conditional sale and purchase agreement with A.P. Moller-Maersk A/S ("APMM") and Orion Limited ("Orion"), pursuant to which (i) APMM agreed to sell and assign, and Crestway agreed to purchase 1,005 ordinary shares of Sigma Enterprises Limited ("Sigma") owned by APMM and take an assignment of the shareholder loans advanced by APMM to Sigma; and (ii) Orion agreed to sell and assign, and Crestway agreed to purchase 32 ordinary shares of Wattrus Limited ("Wattrus") owned by Orion and take an assignment of the shareholder loans advanced by Orion to Wattrus for a total cash consideration of US$520,000,000 (equivalent to approximately HK$4,045,600,000).

   As APM Terminals Invest Company Limited (a subsidiary of APMM) is a substantial shareholder of a subsidiary of COSCO Pacific, which in turn is a subsidiary of the Company, APMM is a connected person of both COSCO Pacific and the Company under the Listing Rules.

   For further information relating to the above transaction, please refer to the announcement of the Company dated 29 April 2010.

2. On 25 August 2010, the Company and COSCO entered into a master properties leasing agreement (the "Master Properties Leasing Agreement") in relation to the leasing of properties by COSCO Group and its associates to the Group and its associates. The Master Properties Leasing Agreement had a term from 1 January 2010 to 31 December 2010.

   The annual cap and the actual amount in respect of the transaction are set out in the table below.

   As COSCO is the controlling shareholder of the Company, COSCO is a connected person of the Company under the Listing Rules.

   For further information relating to the above transaction, please refer to the announcement of the Company dated 25 August 2010.

3. On 28 October 2010, the Company and COSCO Finance Ltd. ("COSCO Finance") entered into a financial services agreement (the "Financial Services Agreement") in relation to the provision of certain financial services provided by COSCO Finance to the Group (excluding COSCO Pacific and its subsidiaries) for the renewal of the financial services agreement which expired on 31 December 2010. The Financial Services Agreement has a term from 1 January 2011 to 31 December 2013 which shall be automatically renewed for a further term of three years upon expiration of the current term, unless at any time during the current term any party to the Financial Services Agreement gives a non-renewal notice in writing to the other party.

As COSCO is the controlling shareholder of the Company and COSCO Finance is a non-wholly owned subsidiary of COSCO, COSCO Finance is a connected person of the Company under the Listing Rules.

For further information relating to the above transaction, please refer to the announcement of the Company dated 28 October 2010.

4. On 28 October 2010, the Company and COSCO entered into a master vessel services agreement (the "Master Vessel Services Agreement") in relation to the mutual provision of vessel services between the Group and its associates and the COSCO Group and its associates for the renewal of the master vessel services agreement which expired on 31 December 2010. The Master Vessel Services Agreement has a term from 1 January 2011 to 31 December 2013 which shall be automatically renewed for a further term of three years upon expiration of the current term, unless at any time during the current term any party to the Master Vessel Servcies Agreement gives a non-renewal notice in writing to the other party.

   As COSCO is the controlling shareholder of the Company, COSCO is a connected person of the Company under the Listing Rules.

   For further information relating to the above transaction, please refer to the announcement of the Company dated 28 October 2010.

5. On 28 October 2010, the Company and COSCO entered into a master general services agreement (the "Master General Services Agreement") in relation to the mutual provision of general services between the Group and its associates and the COSCO Group and its associates for the renewal of the master general services agreement which expired on 31 December 2010. The Master General Services Agreement has a term from 1 January 2011 to 31 December 2013 which shall be automatically renewed for a further term of three years upon expiration of the current term, unless at any time during the current term any party to the Master General Services Agreement gives a non-renewal notice in writing to the other party.

   As COSCO is the controlling shareholder of the Company, COSCO is a connected person of the Company under the Listing Rules.

   For further information relating to the above transaction, please refer to the announcement of the Company dated 28 October 2010.

6. On 28 October 2010, the Company and COSCO entered into a master overseas agency services agreement (the "Master Overseas Agency Services Agreement") in relation to the provision of overseas agency services by the COSCO Group and its associates to the Group and its associates for the renewal of the master overseas agency services agreement which expired on 31 December 2010. The Master Overseas Agency Services Agreement has a term from 1 January 2011 to 31 December 2013 which shall be automatically renewed for a further term of three years upon expiration of the current term, unless at any time during the current term any party to the Master Overseas Agency Services Agreement gives a non-renewal notice in writing to the other party.

   As COSCO is the controlling shareholder of the Company, COSCO is a connected person of the Company under the Listing Rules.

   For further information relating to the above transaction, please refer to the announcement of the Company dated 28 October 2010.

7. On 28 October 2010, the Company and COSCO entered into a master seamen leasing agreement (the "Master Seamen Leasing Agreement") in relation to the mutual provision of seamen leasing services between the Group and its associates and the COSCO Group and its associates for the renewal of the master seamen leasing agreement which expired on 31 December 2010. The Master Seamen Leasing Agreement has a term from 1 January 2011 to 31 December 2013 which shall be automatically renewed for a further term of three years upon expiration of the current term, unless at any time during the current term any party to the Master Seaman Leasing Agreement gives a non-renewal notice in writing to the other party.

   As COSCO is the controlling shareholder of the Company, COSCO is a connected person of the Company under the Listing Rules.

   For further information relating to the above transaction, please refer to the announcement of the Company dated 28 October 2010.

8. On 28 October 2010, the Company and COSCO entered into a master premises leasing agreement (the "Master Premises Leasing Agreement") in relation to the mutual leasing of premises between the Group and its associates and the COSCO Group and its associates for the renewal of the master premises leasing agreement and the master properties leasing agreement which expired on 31 December 2010. The Master Premises Leasing Agreement has a term from 1 January 2011 to 31 December 2013 which shall be automatically renewed for a further term of three years upon expiration of the current term, unless at any time during the current term any party to the Master Premises Leasing Agreement gives a non-renewal notice in writing to the other party.

   As COSCO is the controlling shareholder of the Company, COSCO is a connected person of the Company under the Listing Rules.

   For further information relating to the above transaction, please refer to the announcement of the Company dated 28 October 2010.

9. On 28 October 2010, the Company and COSCO entered into a master container services agreement (the "Master Container Services Agreement") in relation to the provision of container services by the COSCO Group and its associates to the Group and its associates for the renewal of the master container services agreement which expired on 31 December 2010. The Master Container Services Agreement has a term from 1 January 2011 to 31 December 2013 which shall be automatically renewed for a further term of three years upon expiration of the current term, unless at any time during the current term any party to the Master Container Services Agreement gives a non-renewal notice in writing to the other party.

   As COSCO is the controlling shareholder of the Company, COSCO is a connected person of the Company under the Listing Rules.

   For further information relating to the above transaction, please refer to the announcement of the Company dated 28 October 2010.

10. On 28 October 2010, the Company and COSCO entered into a master solicitation activities agreement (the "Master Solicitation Activities Agreement") in relation to the provision of solicitation activities by the COSCO Group and its associates to the Group and its associates for the renewal of the master solicitation activities agreement which expired on 31 December 2010. The Master Solicitation Activities Agreement has a term from 1 January 2011 to 31 December 2013 which shall be automatically renewed for a further term of three years upon expiration of the current term, unless at any time during the current term any party to the Master Solicitation Activities Agreement gives a non-renewal notice in writing to the other party.

    As COSCO is the controlling shareholder of the Company, COSCO is a connected person of the Company under the Listing Rules.

    For further information relating to the above transaction, please refer to the announcement of the Company dated 28 October 2010.

11. On 28 October 2010, the Company and COSCO entered into a master port services agreement (the "Master Port Services Agreement") in relation to the provision of port services by the COSCO Group and its associates to the Group and its associates for the renewal of the master port services agreement which expired on 31 December 2010. The Master Port Services Agreement has a term from 1 January 2011 to 31 December 2013 which shall be automatically renewed for a further term of three years upon expiration of the current term, unless at any time during the current term any party to the Master Port Services Agreement gives a non-renewal notice in writing to the other party.

    As COSCO is the controlling shareholder of the Company, COSCO is a connected person of the Company under the Listing Rules.

    For further information relating to the above transaction, please refer to the announcement of the Company dated 28 October 2010.

12. On 28 October 2010, the Company and COSCO entered into a time charter master agreement (the "Time Charter Master Agreement") in relation to the mutual provision of time charter of vessels between the Group and its associates on one side and COSCO Oceania Chartering Services Pty. Ltd. ("COSCO Bulk Oceania"), COSCO Europe Bulk Carrier Company Limited ("COSCO Bulk Europe"), COSCO Bulk Carrier Americas Company Limited ("COSCO Bulk Americas"), COSCO (Singapore) Pte Ltd. ("COSCO Singapore"), Xiamen COSCO Carrier Corporation ("Xiamen COSCO"), Sino-Poland Joint Stock Shipping Company ("Sino-Poland") and Sino-Tanzania Joint Shipping Company ("Sino-Tanzania") on the other side for the renewal of the time charter master agreement which expired on 31 December 2010. The Time Charter Master Agreement has a term from 1 January 2011 to 31 December 2013.

    As COSCO is the controlling shareholder of the Company, COSCO is a connected person of the Company under the Listing Rules.

    For further information relating to the above transaction, please refer to the announcement of the Company dated 28 October 2010.

13. On 28 October 2010, the Company and COSCO entered into a freight forwarding master agreement (the "Freight Forwarding Master Agreement") in relation to the mutual provision of freight forwarding services between the COSCO Group and its associates and the Group and its associates. The Freight Forwarding Master Agreement has a term from 1 January 2011 to 31 December 2013 which shall be automatically renewed for a further term of three years upon expiration of the current term, unless at any time during the current term any party to the Freight Forwarding Master Agreement gives a non-renewal notice in writing to the other party.

    As COSCO is the controlling shareholder of the Company, COSCO is a connected person of the Company under the Listing Rules.

    For further information relating to the above transaction, please refer to the announcement of the Company dated 28 October 2010.

14. On 28 October 2010, COSCO Maritime (UK) Limited ("COSCO UK") and COSCON, a wholly-owned subsidiary of the Company, entered into several extension letters to further extend the term of the seven sub-time charter agreements governing the sub-lease of seven vessels from COSCO to COSCON from 1 December 2010 to 30 November 2013.

    As COSCO is the controlling shareholder of the Company and COSCO UK is a wholly owned subsidiary of COSCO, COSCO UK is a connected person of the Company under the Listing Rules.

    For further information relating to the above transaction, please refer to the announcement of the Company dated 28 October 2010.

15. On 28 October 2010, the Company and COSCO entered into a master vessel management agreement (the "Master Vessel Management Agreement") in relation to the mutual provision of vessel services between the COSCO Group and its associates and the Group and its associates for the renewal of the master vessel management agreement which expired on 31 December 2010. The Master Vessel Management Agreement has a term from 1 January 2011 to 31 December 2013.

    As COSCO is the controlling shareholder of the Company, COSCO is a connected person of the Company under the Listing Rules.

    For further information relating to the above transaction, please refer to the announcement of the Company dated 28 October 2010.

16. On 28 October 2010, the Company and COSCO entered into a shipping agency master agreement (the "Shipping Agency Master Agreement") in relation to the provision of shipping agency services by the Group and its associates to the COSCO Group and its associates. The Shipping Agency Master Agreement has a term from 1 January 2011 to 31 December 2013.

    As COSCO is the controlling shareholder of the Company, COSCO is a connected person of the Company under the Listing Rules.

    For further information relating to the above transaction, please refer to the announcement of the Company dated 28 October 2010.

17. On 28 October 2010, the Company and COSCO entered into a trademark licence agreement (the "Trademark Licence Agreement") in relation to the granting of the non-exclusive right to the members of the Group to use certain trademarks by COSCO for the renewal of the trademark licence agreement which expired on 31 December 2010. The Trademark Licence Agreement has a term from 1 January 2011 to 31 December 2013.

    As COSCO is the controlling shareholder of the Company, COSCO is a connected person of the Company under the Listing Rules.

    For further information relating to the above transaction, please refer to the announcement of the Company dated 28 October 2010.

18. On 28 October 2010, the Company and COSCO entered into a voyage charter master agreement (the "Voyage Charter (including TCT) Master Agreement") in relation to the mutual provision of voyage charter and time charter on trip basis of vessels between the Group and its associates on one side and COSCO Bulk Oceania, COSCO Bulk Europe, COSCO Bulk Americas, COSCO Sinapore, Xiamen COSCO, Sino-Poland and Sino-Tanzania on the other side for the renewal of the voyage charter master agreement which expired on 31 December 2010. The Voyage Charter (including TCT) Master Agreement has a term from 1 January 2011 to 31 December 2013.

    As COSCO is the controlling shareholder of the Company, COSCO is a connected person of the Company under the Listing Rules.

    For further information relating to the above transaction, please refer to the announcement of the Company dated 28 October 2010.

19. On 4 November 2010, Freightworld Pte Ltd ("Freightworld") (an indirect wholly-owned subsidiary of the Company through COSCON) and COSCO Corporation (Singapore) Ltd ("COSCO Corporation (Singapore)") entered into a sale and purchase agreement in relation to the sale and purchase of 700,001 shares in the capital of Costar Shipping Ptd Ltd beneficially owned by and registered in the name of COSCO Corporation (Singapore) for a total cash consideration of S$10,600,000.

    As COSCO Corporation (Singapore) is a 53.35%-owned subsidiary of COSCO, which in turn is the controlling shareholder of the Company, COSCO Corporation (Singapore) is a connected person of the Company under the Listing Rules.

    For further information relating to the above transaction, please refer to the announcement of the Company dated 4 November 2010.

20. On 4 November 2010, Freightworld and COSCO Corporation (Singapore) entered into a sale and purchase agreement in relation to the sale and purchase of 1,400,000 shares in the capital of Coslink (M) Sdn Bhd beneficially owned by and registered in the name of COSCO Corporation (Singapore) for a total cash consideration of S$1,050,000.

    As COSCO Corporation (Singapore) is a 53.35%-owned subsidiary of COSCO, which in turn is the controlling shareholder of the Company, COSCO Corporation (Singapore) is a connected person of the Company under the Listing Rules.

    For further information relating to the above transaction, please refer to the announcement of the Company dated 4 November 2010.

The following table sets out the relevant annual caps and the actual figures for the year ended 31 December 2010 in relation to the continuing connected transactions of the Company.

The annual caps and actual figures in respect of the non-exempted continuing connected transactions of the Company

	Transaction	Annual Cap for the year ended 31 December 2010 ('000)	Actual Figure for the year ended 31 December 2010 ('000)
1	Sub-lease of time charters from COSCO to COSCON	RMB460,000	RMB383,363
2	Sub-time charters from COSCO to COSCON	RMB204,000	RMB162,821
3	Transactions under the financial services agreement dated 3 September 2007		
(a)	Maximum daily outstanding balance of deposits (including accrued interest and handling fee) placed by the Group (excluding COSCO Pacific and its subsidiaries) with COSCO Finance	RMB7,000,000	RMB6,986,241
(b)	Maximum daily outstanding balance of loans (including accrued interest and handling fee) granted by COSCO Finance to the Group (excluding COSCO Pacific and its subsidiaries)	RMB7,000,000	RMB639,537
4	Transactions under the master general services agreement dated 3 September 2007	RMB100,000	RMB68,237
5	Transactions under the master vessel services agreement dated 3 September 2007	RMB17,000,000	RMB10,461,803
6	Transactions under the master overseas agency services agreement dated 3 September 2007	RMB350,000	RMB190,846
7	Transactions under the master container services agreement dated 9 June 2005 (automatically renewed on or about 2008)	RMB450,000	RMB136,271
8	Transactions under the master solicitation activities agreement dated 9 June 2005 (automatically renewed on or about 2008)	RMB500,000	RMB285,738
9	Transactions under the master port services agreement dated 9 June 2005 (automatically renewed on or about 2008)	RMB1,250,000	RMB829,339
10	Transactions under the master vessel management agreement dated 3 September 2007	RMB95,000	RMB3,852
11	Transactions under the master seamen leasing agreement dated 3 September 2007	RMB1,000,000	RMB114,098
12	Transactions under the supplemental COSCO Bulk Oceania time charter master agreement dated 22 April 2009	RMB250,000	RMB66,681

Transaction	Annual Cap for the year ended 31 December 2010 ('000)	Actual Figure for the year ended 31 December 2010 ('000)
13 Transactions under the supplemental COSCO Bulk Europe time charter master agreement dated 22 April 2009	RMB548,000	RMB150,920
14 Transactions under the supplemental COSCO Bulk Americas time charter master agreement dated 22 April 2009	RMB351,000	RMB128,570
15 Transactions under COSCO Singapore time charter master agreement dated 22 April 2009	RMB300,000	—
16 Transactions under the master premises leasing agreement dated 3 September 2007	RMB1,500	RMB395
17 Transactions under the master properties leasing agreement dated 25 August 2010	RMB120,000	RMB95,874
18 Transactions under COSCO Pacific – COSCON Container Services Master Agreement	USD3,372	USD2,165
19 Transactions under COSCO Pacific – COSCON Shipping Services Master Agreement	USD120,417	USD47,971
20 Transactions under COSCO Pacific – APM Shipping Services Master Agreement	USD49,399	USD8,114

Review of Continuing Connected Transactions for the year 2010

The independent non-executive directors of the Company, Ms. Li Boxi, Mr. Alexander Reid Hamilton, Mr. Cheng Mo Chi and Mr. Teo Siong Seng have reviewed the above continuing connected transactions (other than transactions under the master agreements set out as items 18 to 20 in the above table) and confirm that these transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreement governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Directors' Report

The independent non-executive directors of COSCO Pacific have reviewed the continuing connected transactions set forth as items 18 to 20 in the above table and confirm that these transactions have been entered into:

(1) in the ordinary and usual course of COSCO Pacific group's business;

(2) on terms no less favourable to COSCO Pacific group than terms available from/to independent third parties; and

(3) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of COSCO Pacific as a whole.

For the purpose of Rule 14A.38 of the Listing Rules, the board of directors of the Company engaged the auditor of the Company, PricewaterhouseCoopers, to report on the above continuing connected transactions (other than transactions under the master agreements set out as items 18 to 20 in the above table) as identified by the management for the year ended 31 December 2010 (the "Transactions") in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the Transactions disclosed by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

For the purpose of Rule 14A.38 of the Listing Rules, the board of directors of COSCO Pacific engaged the auditor of COSCO Pacific to report on the above continuing connected transactions set forth as items 18 to 20 in the above table and as identified by the management for the year ended 31 December 2010 in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of COSCO Pacific has issued his unqualified letter containing his findings and conclusions in respect of these transactions disclosed by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by COSCO Pacific to the Stock Exchange.

Daily routine of the Board

IV. Daily Routine of the Board

1. Meetings and resolutions of the Board

Session	Date of meeting	Details of resolutions	Publication of disclosure of resolutions	Date of disclosure of resolutions
17th meeting of the second session of Board of Directors	22 April 2010	1. Issuance of medium-term notes 2. Annual appraisal for directors and supervisors for 2009 3. Annual appraisal for senior management for 2009 4. Adjustment of members of special committees under the Board	Securities Times, China Securities Journal, Shanghai Securities News	23 April 2010
18th meeting of the second session of Board of Directors	29 April 2010	COSCO Pacific proposed to acquire of additional 10% of equity interest of Yantian Terminal	Securities Times, China Securities Journal, Shanghai Securities News	30 April 2010
19th meeting of the second session of Board of Directors	18 June 2010	1. Set up of a position of chief legal advisor and establishment of chief legal advisor conference room and chief legal advisor office 2. Follow-up plan for the Board meetings in 2010	Securities Times, China Securities Journal, Shanghai Securities News	19 June 2010
20th meeting of the second session of Board of Directors	25 August 2010	1. CCA and Shanghai Eastern Logistics in custody of COSCO Logistics 2. Establishment of an independent committee under the Board to consider and approve to renew the continuing connected transactions of China COSCO from 2011 to 2013 and relevant annual caps 3. Adjustment of the board and supervisory board of relevant business units	Securities Times, China Securities Journal, Shanghai Securities News	26 August 2010
21st meeting of the second session of the Board of Directors	28 October 2010	1. Measures for the Registration of People with Insider Information 2. Adjustment of the directors of Board of Directors of China COSCO 3. Acquisition of Coslink and Costar by COSCON 4. Obtaining loans dominated in US$ from JP Morgan by COSCO Bulk	Securities Times, China Securities Journal, Shanghai Securities News	29 October 2010
22nd meeting of the second session of the Board of Directors	16 December 2010	Plan of Meeting of Board of Directors and Shareholders' meetings for 2011		

2. The implementation of the resolutions of general meeting by the Board

(1) In accordance with a resolution on Profit Distribution for 2009 passed at the 2009 annual general meeting, and the audited 2009 annual financial statements of the Company prepared under China accounting standards and Hong Kong accounting standards, net profit attributable to the owners of parent company for 2009 of China COSCO was RMB-7,541,293,946.31 and RMB-7,467,812,000.00 respectively. As the Company recorded a loss in 2009, the Board did not recommend to distribute any dividend and to transfer any capital reserve to equity.

(2) In accordance with a resolution on Re-appointment of RSM China Certified Public Accountants Co., Ltd. as the PRC auditor of the Company for 2010 and PricewaterhouseCoopers as the international auditor of China COSCO for 2010 passed at the 2009 annual general meeting, the Company has re-appointed RSM China Certified Public Accountants Co., Ltd. as the PRC auditor of China COSCO for 2010 and PricewaterhouseCoopers as the international auditor of China COSCO for 2010.

(3) In accordance with a resolution on Issuance of Medium-term Notes of China COSCO（中國遠洋發行中期票據之預案）passed at the 2009 general meeting, upon the registration to National Association of Financial Market Institutional Investors, China COSCO completed the first tranche of issuance of medium-term notes of RMB5 billion with a term of 10 years at interest rate of 4.35% for 2010 on 6 September 2010. The proceeds from the issuance were deposited at 4:00 p.m. on 6 September 2010. The balance of medium-term notes will be issued when necessary.

(4) In accordance with a resolution on the Financial Services Agreement of China COSCO and Relevant Caps for 2011 to 2013（中國遠洋 2011-2013 年協議並申請協議上限金額之議案）passed at the first extraordinary general meeting in 2010, the Financial Services Agreement of China COSCO for 2011 to 2013 has effected, and the maximum daily outstanding balance of deposits was RMB18 billion while the maximum daily outstanding balance of loans was RMB8 billion.

(5) In accordance with a resolution on Master Vessel Services Agreement of China COSCO and Relevant Caps for 2011 to 2013（中國遠洋 2011-2013 年船舶服務總協議並申請協議上限金額之議案）passed at the first extraordinary general meeting in 2010, the Master Vessel Services Agreement of China COSCO for 2011 to 2013 has effected, and the maximum amount payable for the master agreement for 2011 to 2013 was RMB19.5 billion, RMB21.5 billion and RMB25.5 billion respectively while the maximum amount receivable was RMB50 million, RMB60 million and RMB67 million respectively.

(6) In accordance with a resolution on Other Continuing Connected Transactions of China COSCO and Relevant Caps for 2011 to 2013（中國遠洋 2011-2013 年其他持續性關聯交易協議並申請協議上限金額之議案）passed at the first extraordinary general meeting in 2010, other continuing connected transactions of China COSCO and relevant annual caps for 2011 to 2013 have effected.

3. Report on the conditions and details of the establishment of relevant systems and performance of the audit committee under the Board of Directors

The Company has formulated the Terms of Reference of the Audit Committee, which defines duties and responsibilities of the audit committee, including the relationship with external accounting firm, the reviewing of the financial information of the Company, the overseeing of the financial reporting system and internal control procedures of the Company, the reviewing of whether the investigations regarding the financial report, and the internal control or other matters that are not in the ordinary course of business of the Company were conducted independently and fairly, and whether appropriate actions or remedial actions have been taken.

The chairman of the audit committee of the Board of Directors of the Company is Mr. Alexander Reid HAMILTON (independent non-executive director), while other members are Ms. SUN Yueying (non-executive director) and Mr. CHENG Mo Chi (independent non-executive director). During the reporting period, the audit committee held four meetings to review the Company's annual report, interim report, establishment of internal control system, status of internal audit, internal audit plan and the re-appointment of auditors. The particulars were as follows:

(1) The 7th meeting of the second session of the audit committee of China COSCO was held on 14 April 2010. The business conducted at the meeting included: to confirm the minutes of the 6th meeting of the second session of the audit committee held on 9 November 2009; to follow up the relevant matters in the minutes of the 6th meeting of the audit committee; to consider and listen to the reports of the chief financial officer on the 2009 financial status, the directors' report, the results announcements, the management discussion and analysis; to review the 2009 audit committee reports submittedby the international and PRC auditors; to review the report on connected transactions and the audit status in 2009 by the PRC and international auditors; to review the report on internal audit in 2009; to approve the internal audit plan for 2010; to review the 2009 internal control self-evaluation report and internal control examination reports by the PRC auditor; to discuss reappointment of the international and PRC auditors; to discuss risk of fraud; and to review the special audit report on the fulfillment of profit forecast of dry bulk companies for 2007 to 2009 by RSM China.

(2) The 8th meeting of the second session of the audit committee of the Company was held on 10 June 2010. The business conducted at the meeting included: to confirm the minutes of the 7th meeting of the second session of audit committee held on 14 April 2010; to follow up the relevant matters in the minutes of the 7th meeting of the audit committee; to consider the 2009 recommendations on internal control and 2010 audit strategy issued by the international auditor to review the 2009 recommendations on internal control and reports of connected transactions issued by the PRC auditor; to review report on internal audit; and to review report on internal control.

(3) The 9th meeting of the second session of the audit committee of China COSCO was held on 17 August 2010. The business conducted at the meeting included: to confirm the minutes of the 8th meeting of the second session of the audit committee held on 10 June 2010; to follow upthe relevant matters in the minutes of the 8th meeting of the audit committee; to consider and listen to the reports of the chief financial officer on interim results for the first half of 2010; to review the audit committee reports on interim results issued by the international and PRC auditors; to review report on internal audit; to review report on internal control including the Basic Standards for Corporate Internal Control; and to discuss connected transactions.

(4) The 10th meeting of the second session of the audit committee of China COSCO was held on 4 November 2010. The business conducted at the meeting included: to confirm the minutes of the 9th meeting of the second session of the audit committee held on 17 August 2010; to follow up on the relevant matters in the minutes of the 9th meeting of the audit committee; to review the 2010 report on implementation status of recommendations on internal control and supplemental audit strategy memorandum issued by the international auditors; to review the recommendations on enhancing management and audit plan issued by the PRC auditor; and to review report on internal audit; and to review report on internal control.

In the above meetings of the audit committee, the attendants included members of the audit committee, the Company's management and the PRC and international auditors. Minutes or resolutions were recorded in every meeting. Apart from the above formal meetings convened by the audit committee, Mr. Alexander Reid HAMILTON of the audit committee also went to Shanghai and Tianjin on 11 and 12 March 2010 to conduct onsite review in respect of the management of the continuing connected transactions by COSCON and COSCO Bulk, the subsidiaries of China COSCO, and to consider the reports of the management on the execution of the continuing connected transactions and the letters of the international auditor on the continuing connected transactions. Mr. Alexander Reid HAMILTON and Mr. CHENG Mo Chi went to Qingdao on 10 and 11 June 2010 to review the internal audit of COSCO Qingdao, a subsidiary of China COSCO, and to visit a container port jointly established by COSCO Pacific and Qingdao Port Bureau.

During the reporting period, the audit committee reviewed the Company's annual financial report and the interim financial report. During the period of annual audit, the audit committee focused on and supervised various tasks conducted by the PRC and international auditors to determine whether the audit plan arrangements have been strictly complied with. In order to fully understand the status of the audits of the annual financial reports, Mr. Alexander Reid HAMILTON, the chairman of the audit committee, and Ms. SUN Yueying, a member of the audit committee, attended the meetings with the international auditor and the PRC auditor in Hong Kong and Beijing, respectively, to discuss their reports on auditing and held discussions about specific accounting and tax issues.

4. The performance of the remuneration committee under the Board of Directors

In 2010, the remuneration committee convened one meeting to consider and approve the annual performance appraisal on share appreciation rights grantees for the year 2009, the exercise of share appreciation rights, the management appraisal and remuneration for senior management for 2009, and the annual assessment of remuneration of the Directors or Supervisors of China COSCO and review of duties performed by the remuneration committee for 2009. The committee also considered achievement appraisals for senior management and made recommendations to the Board accordingly.

5. Establishment of management system of the use of information by third parties

In accordance with the relevant requirements of regulatory authorities, the Company made amendments to the "Measures on Information Disclosures"（信息披露管理辦法）in 2009, pursuant to which administrative measures on the use of information by third parties. During the period under review, for the insider information required to be disclosed to third parties according to the laws and regulations including statistics and statements, the Company will register and file relevant officers of such third parties who received such insider information as insiders and remind such officers of third parties to keep confidential in written form.

6. Responsibility of the Board on internal control

It is the responsibility of the Board of the Company to establish a comprehensive and effective internal control system. The major responsibility of the Board on internal control include: (1) promote effective operation of internal control system; (2) identify the risk factors of internal and external strategic environment of the Company and their effects on the strategic targets and social commitments; (3) establish and implement internal control system and assume responsibility for its effectiveness; and (4) define the risk management concept and culture of the Company as well as determine risk preference and risk tolerance of the Company.

The Board of the Company carried out self-assessment on its internal control for the year and believes that the Company has a relatively reasonable and effective internal control system, which provides a reasonable guarantee for the Company to achieve its internal control targets. The Company can objectively analyze its internal control system and make improvement on a timely basis, which will satisfy the development needs of the Company.

7. Implementation of insider management system

According to the self-assessment, did insider make use of any inside information to deal with shares of the Company before the disclosure of material sensitive information which may affect the share price of the Company? No.

During the reporting period, based on the principles of the "Measures on Information Disclosure"（信息披露管理辦法）, the Company formulated the "Measures for the Registration of People with Insider Information"（內幕信息知情人發記備案管理辦法）, which were approved and issued on the 21st meeting of the second session of the Board. The Company and its subsidiaries acknowledge the harm of insider trading and implemented the Administrative Measures on Insider Registration stringently. The Company designated the institutions and officers responsible for inside information management, established confidential responsibility and obligation of insider, and kept confidential and registration of significant events involving operation, finance, profit distribution, investment and financing, merger, acquisition and restructuring and changes in key personnel and related decision-making procedures pursuant to the confidentiality system and insider system.

Substantial Interests in the Shares and Underlying Shares of the Company

As at 31 December 2010, so far as was known to the directors of the Company, shareholders who had interests or short positions in the shares and underlying shares of the Company which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO"), or which were recorded in the register required to be kept by the Company under Section 336 of the SFO was:

		Number of H-Shares/Percentage of total issued share capital of the H-Shares						
Name	Capacity and nature of interest	Long position	(approx) %	Short position	(approx) %	Lending pool	(approx) %	*Note*
Blackrock, Inc.	Interest of controlled corporation	214,156,581	8.30	19,180,057	0.74	—	—	(1)

Note:

(1) The 214,156,581 shares relate to the shares held by the following related entities of Blackrock, Inc.: Trident Merger, LLC, BlackRock Investment Management, LLC., BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock Holdco 4 LLC, BlackRock Holdco 6 LLC, BlackRock Delaware Holdings, Inc., BlackRock Institutional Trust Company N.A., BlackRock Fund Advisors, BlackRock Advisors Holdings Inc., BlackRock International Holdings Inc., BR Jersey International LP, BlackRock (Institutional) Canada Ltd, BlackRock Holdings Canada Limited, BlackRock Asset Management Canada Limited, BlackRock Australia Holdco Pty Ltd, BlackRock Asset Management Australia Limited, BlackRock HK Holdco Limited, BlackRock Asset Management North Asia Limited, BlackRock Group Limited, BlackRock Advisors UK Ltd., BlackRock Luxembourg Holdco S.a.r.l., BlackRock Investment Management Ireland Holdings Ltd, BlackRock Asset Management Ireland Ltd, BlackRock Investment Management (UK) Ltd, BlackRock Holdings Deutschland GmbH, BlackRock Asset Management Deutschland AG, BlackRock Fund Managers Ltd and BlackRock International Ltd., The short position of 19,180,057 shares relates to the shares held by the following related entities of Blackrock, Inc.: BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock Holdco 4 LLC, BlackRock Holdco 6 LLC, BlackRock Delaware Holdings, Inc., BlackRock Institutional Trust Company, N.A., BlackRock Advisors Holdings Inc., BlackRock International Holdings Inc., BR Jersey International LP, BlackRock HK Holdco Limited, BlackRock Asset Management North Asia Limited, BlackRock Group Limited and BlackRock Advisors UK Ltd.

Save as disclosed above, as at 31 December 2010, so far as was known to the directors of the Company, there was no person (other than a director, supervisor or chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

As at 31 December 2010, so far as was known to the directors of the Company, the shareholder having interest in 5% or more of the total issued share capital of the Company (including A shares and H shares of the Company) was:

		Number of shares/Percentage of total issued share capital of the Company					
Name	Capacity and nature of interest	Long position	%	Short position	%	Lending Pool	%
COSCO	Beneficial owner	A Shares: 5,313,082,844 H Shares: 81,179,500 Total: 5,394,262,344	52.80	—	—	—	—

Sufficiency of Public Float

As at the date of this report, the public float of the Company satisfied the requirement of the Listing Rules.

Share Appreciation Rights Plan

A share appreciation rights plan (the "Share Appreciation Rights Plan") was adopted by the Company, which was designed to align the interests of directors, supervisors and senior management of the Company with the Company's operating results and the Company's share value. The issuance of share appreciation rights does not involve any issuance of new shares, nor does it have any dilutive effect on the Company's shareholders.

On 16 December 2005, the Board granted share appreciation rights to certain directors, supervisors and senior management of the Company and its subsidiaries, and other personnel designated by the Board, including nine directors and three supervisors of the Company at an exercise price of HK$3.195 each under the Share Appreciation Rights Plan. On 5 October 2006, the Board granted share appreciation rights to certain directors, supervisors and senior management of the Company and its subsidiaries, and other personnel designated by the Board, including eight directors and three supervisors of the Company at an exercise price of HK$3.588 each under the Share Appreciation Rights Plan. On 4 June 2007, the Company granted further share appreciation rights to certain directors, supervisors and senior management of the Company and its subsidiaries, and other personnel designated by the Board, including seven directors and four supervisors of the Company at an exercise price of HK$9.540 each under the Share Appreciation Rights Plan. As at 31 December 2010, the Company did not grant any share appreciation rights for the year 2010.

Movements of the share appreciation rights which were granted to Directors and Supervisors pursuant to the Share Appreciation Rights Plan during 2010 are set out below:

				Number of units of share appreciation rights						
Name of director/ supervisor	Capacity	Nature of interest	Exercise price	Outstanding as at 1 January 2010	Transfer (to)/from other category during the year	Granted during the year	Exercised during the year	Outstanding as at 31 December 2010	Approximate % of issued share capital of the Company's H shares as at 31 December 2010	Note
WEI Jiafu	Beneficial owner	Personal	HK$3.195	680,000	—	—	—	680,000	0.03%	(1)
			HK$3.588	900,000	—	—	—	900,000	0.03%	(2)
			HK$9.540	880,000	—	—	—	880,000	0.03%	(3)
ZHANG Fusheng	Beneficial owner	Personal	HK$3.195	600,000	—	—	—	600,000	0.02%	(1)
			HK$3.588	800,000	—	—	—	800,000	0.03%	(2)
			HK$9.540	780,000	—	—	—	780,000	0.03%	(3)
ZHANG Liang	Beneficial owner	Personal	HK$9.540	580,000	—	—	—	580,000	0.02%	(3)
LI Jianhong	Beneficial owner	Personal	HK$3.195	450,000	(450,000)	—	—	—	0.00%	(1)
			HK$3.588	600,000	(600,000)	—	—	—	0.00%	(2)
			HK$9.540	580,000	(580,000)	—	—	—	0.00%	(3)
XU Lirong	Beneficial owner	Personal	HK$3.195	375,000	—	—	—	375,000	0.01%	(1)
			HK$3.588	500,000	—	—	—	500,000	0.02%	(2)
			HK$9.540	580,000	—	—	—	580,000	0.02%	(3)

Name of director/ supervisor	Capacity	Nature of interest	Exercise price	Number of units of share appreciation rights: Outstanding as at 1 January 2010	Transfer (to)/ from other category during the year	Granted during the year	Exercised during the year	Outstanding as at 31 December 2010	Approximate % of issued share capital of the Company's H shares as at 31 December 2010	Note
SUN Yueying	Beneficial owner	Personal	HK$3.195	450,000	–	–	–	450,000	0.02%	(1)
			HK$3.588	600,000	–	–	–	600,000	0.02%	(2)
			HK$9.540	580,000	–	–	–	580,000	0.02%	(3)
CHEN Hongsheng	Beneficial owner	Personal	HK$3.195	525,000	–	–	–	525,000	0.02%	(1)
			HK$3.588	700,000	–	–	–	700,000	0.03%	(2)
			HK$9.540	680,000	–	–	–	680,000	0.03%	(3)
LI Yunpeng	Beneficial owner	Personal	HK$3.195	450,000	–	–	–	450,000	0.02%	(1)
			HK$3.588	600,000	–	–	–	600,000	0.02%	(2)
			HK$9.540	580,000	–	–	–	580,000	0.02%	(3)
Wu Shuxiong	Beneficial owner	Personal	HK$3.195	375,000	–	–	–	375,000	0.01%	(1)
			HK$3.588	500,000	–	–	–	500,000	0.02%	(2)
			HK$9.540	480,000	–	–	–	480,000	0.02%	(3)
Ma Jianhua	Beneficial owner	Personal	HK$9.540	480,000	–	–	–	480,000	0.02%	(3)

Notes:

1. The share appreciation rights were granted by the Company in units with each unit representing one H share of the Company pursuant to the Share Appreciation Rights Plan. At each of the last day of the third, fourth, fifth and sixth anniversary of the date of grant (i.e. 16 December 2005), the total number of the share appreciation rights exercisable shall not exceed 25%, 50%, 75% and 100%, respectively, of each of the total share appreciation rights granted. The share appreciation rights are exercisable at HK$3.195 per unit according to its terms between 16 December 2007 and 15 December 2015.

2. The share appreciation rights were granted by the Company in units with each unit representing one H share of the Company pursuant to the Share Appreciation Rights Plan. At each of the last day of the third, fourth, fifth and sixth anniversary of the date of grant (i.e. 5 October 2006), the total number of the share appreciation rights exercisable shall not exceed 25%, 50%, 75% and 100%, respectively, of each of the total share appreciation rights granted. The share appreciation rights are exercisable at HK$3.588 per unit according to its terms between 5 October 2008 and 4 October 2016.

3. The share appreciation rights were granted by the Company in units with each unit representing one H share of the Company pursuant to the Share Appreciation Rights Plan. At each of the last day of the third, fourth, fifth and sixth anniversary of the date of grant (i.e. 4 June 2007), the total number of the share appreciation rights exercisable shall not exceed 25%, 50%, 75% and 100%, respectively, of each of the total share appreciation rights granted. The share appreciation rights are exercisable at HK$9.540 per unit according to its terms between 4 June 2009 and 3 June 2017.

4. During the year, no share appreciation rights mentioned above were lapsed or cancelled.

5. As Mr. LI Jianhong resigned from the position of Director in 2010, his share appreciation rights, which accounted for 0.02% of the total H share capital in issue, were reclassified from the category of "Directors" to "Others".

Share Options Scheme of COSCO Pacific

As at 31 December 2010, there were outstanding share options in relation to a share option scheme of COSCO Pacific, which was adopted on 23 May 2003 (the "2003 Share Option Scheme").

Movements of the options, which have been granted under the 2003 Share Option Scheme, during the year are set out as below:

		Number of share option								
Category	Exercise price *HK$*	Outstanding as at 1 January 2010	Transterred to/ (from) other categories during the year	Granted during the period	Excerised during the perios	Lapsed during the period	Outstanding as at 31 December 2010	Percentage of total issued share captial as at 31 December 2010	Exercisable period	Note
Directors										
WEI Jiafu	13.75	1,000,000	–	–	–	–	1,000,000	0.04%	03.12.2004-02.12.2014	(2),(4)
ZHANG Fusheng	13,75	1,000,000	–	–	–	–	1,000,000	0.04%	03.12.2004-02.12.2014	(2),(4)
CHEN Hongsheng	13.75	1,000,000	–	–	–	–	1,000,000	0.04%	03.12.2004-02.12.2014	(2),(4)
LI Jianhong	13.75	1,000,000	(1,000,000)	–	–	–	–	0.00%	02.12.2004-01.12.2014	(2),(4)
SUN Yueying	13.75	1,000,000	–	–	–	–	1,000,000	0.04%	03.12.2004-02.12.2014	(2),(4)
Supervisor										
LI Yunpeng	13.75	1,000,000	–	–	–	–	1,000,000	0.04%	03.12.2004-02.12.2014	(2),(4)
Others	9.54	2,369,000	–	–	–	–	2,369,000	0.09%	(refer to note 1)	
	13.75	16,972,000	1,000,000	–	–	(1,160,000)	16,812,000	0.62%	(refer to note 2)	
	19.30	16,370,000	–	–	–	(1,110,000)	15,260,000	0.56%	(refer to note 3)	
		41,711,000	–	–	–	(2,270,000)	39,441,000			

Notes:

(1) The share options were granted during the period from 28 October 2003 to 6 November 2003 under the 2003 Share Option Scheme at an exercise price of HK$9.54. The options are exercisable at any time within ten years from the commencement date which is the date on which an offer is accepted or deemed to be accepted by the grantee pursuant to the 2003 Share Option Scheme (the "Commencement Date"). The Commencement Date of the options was from 28 October 2003 to 6 November 2003.

(2) The share options were granted during the period from 25 November 2004 to 16 December 2004 under the 2003 Share Option Scheme at an exercise price of HK$13.75. The options are exercisable at any time within ten years from the Commencement Date. The Commencement Date of the options was from 25 November 2004 to 16 December 2004.

(3) The share options were granted during the period from 17 April 2007 to 19 April 2007 under the 2003 Share Option Scheme at an exercisable price of HK$19.30. The options are exercisable at any time within ten years from the Commencement Date. The Commencement Date of the options of the grantees was from 17 April 2007 to 19 April 2007.

(4) These options represent personal interests held by the relevant directors as beneficial owners.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2010, the interests of the Company's directors and supervisors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for the Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(1) Long positions in the shares, underlying shares and debentures of the Company:

Name of Supervisor	Capacity	Nature of interest	Number of A shares of the Company	Percentage of total issued A shares captial of the Company
LI Yunpeng	Beneficial owner	Family	3,000	0.00004%
LUO Jiulian	Beneficial owner	Family	1,000	0.00001%

(2) Long positions in shares, underlying shares and debentures of associated corporations of the Company:

Name of associated corporation	Name of supervisor/ director	Capacity	Nature of interest	Number of ordinary shares	Percentage of total issued share capital
COSCO Corporation (Singapore) Limited	WEI Jiafu	Beneficial owner	Personal	1,900,000	0.08%
COSCO Corporation (Singapore) Limited	SUN Yueying	Beneficial owner	Personal	1,400,000	0.06%

(3) Long positions in the underlying shares of equity derivatives of the Company

Movements of the share appreciation rights which were granted pursuant to the Share Appreciation Rights Plan of the Company during the year ended 31 December 2010 are set out in the paragraph headed "Share Appreciation Rights Plan" in this section.

(4) Long positions in underlying shares of equity derivatives of associated corporations of the Company

Movements of the share options granted to the directors and supervisors of the Company by the associated corporations of the Company during the year ended 31 December 2010 are set out as below:

Name of associated corporation	Name of director/ supervisor	Capacity	Nature of interest	Exercise price	Number of share options: Outstanding as at 1 January 2010	Transferred to/ (from) other categories during the year	Granted during period	Exercised during the period	Lapsed during the period	Outstanding as at 31 December 2010	Percentage of total issued share capital of associated corporation as at 31 December 2010	Note
COSCO Pacific	WEI Jiafu	Beneficial owner	Personal	HK$13.75	1,000,000	–	–	–	–	1,000,000	0.04%	(1)
	ZHANG Fusheng	Beneficial owner	Personal	HK$13.75	1,000,000	–	–	–	–	1,000,000	0.04%	(1)
	CHEN Hongsheng	Beneficial owner	Personal	HK$13.75	1,000,000	–	–	–	–	1,000,000	0.04%	(1)
	LI Jianhong	Beneficial owner	Personal	HK$13.75	1,000,000	(1,000,000)	–	–	–	–	0.00%	(1)
	SUN Yueying	Beneficial owner	Personal	HK$13.75	1,000,000	–	–	–	–	1,000,000	0.04%	(1)
	LI Yunpeng	Beneficial owner	Personal	HK$13.75	1,000,000	–	–	–	–	1,000,000	0.04%	(1)
COSCO International	WEI Jiafu	Beneficial owner	Personal	HK$1.37	1,200,000	–	–	–	–	1,200,000	0.08%	(2)
	LI Jianhong	Beneficial owner	Personal	HK$1.37	1,200,000	(1,200,000)	–	–	–	–	0.00%	(2)
COSCO Corporation (Singapore) Limited	LI Jianhong	Beneficial owner	Personal	S$1.23	700,000	(700,000)	–	–	–	–	0.00%	(3)
	SUN Yueying	Beneficial owner	Personal	S$1.23	700,000	–	–	–	–	700,000	0.03%	(3)

Notes:

1. The share options were granted by COSCO Pacific during the period from 25 November 2004 to 16 December 2004 under the 2003 Share Option Scheme at an exercisable price of HK$13.75. The options are exercisable at any time within ten years from the Commencement Date. The Commencement Date of the options of the grantees was from 25 November 2004 to 16 December 2004.

2. These share options were granted on 2 December 2004 pursuant to the share option scheme of COSCO International Holdings Limited ("COSCO International"), an associated corporation of the Company, and can be exercised at HK$1.37 per share at any time between 29 December 2004 and 28 December 2014.

3. The share options were granted by COSCO Corporation (Singapore) Limited ("COSCO Singapore"), an associated corporation of the Company and a company listed on the Singapore Exchange Limited on 21 February 2006 and can be exercised at S$1.23 per share at any time between 21 February 2007 and 20 February 2011.

Save as disclosed above, as at 31 December 2010, none of the directors, supervisors or chief executives of the Company had any interests or short positions in any shares or underlying shares or interests in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DISCLOSURE UNDER RULE 13.22 OF CHAPTER 13 OF THE LISTING RULES

In relation to the financial assistance granted by COSCO Pacific, a listed subsidiary of the Company, to certain affiliated companies, a proforma combined balance sheet of the affiliated companies as at 31 December 2010 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

	RMB'000
Non-current assets	52,032,845
Current assets	15,808,709
Current liabilities	(33,075,320)
Non-current liabilities	(11,307,035)
Net assets	23,459,199
Share capital	3,204,314
Reserves	9,770,999
Non-controlling interests	10,483,886
Capital and reserves	23,459,199

As at 31 December 2010, the Group's share of net assets of these affiliated companies amounted to RMB6,715,007,000.

Arrangements to purchase shares or debentures

At no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding company a party to any arrangements to enable the directors, supervisors or senior management of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Report

Directors', Supervisors' and Five Highest Paid Individuals' Remunerations

Details of the remuneration of the directors and the supervisors of the Company and the five highest paid individuals of the Group are set out in note 40 to the consolidated financial statements.

There were no arrangements under which a director or supervisor of the Company had waived or agreed to waive any remuneration in respect of the year ended 31 December 2010.

Service Contracts of Directors and Supervisors

Each of the directors and supervisors of the Company has entered into a service contract with the Company. No director or supervisor of the Company has entered into any service contract with the Company, which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

Interests of Directors and Supervisors in Contracts

None of the directors or supervisors of the Company had any material interest, whether directly or indirectly, in any contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2010.

Board Committees

The Company has established a strategic development committee, a risk management committee, an audit committee, a remuneration committee, a nomination committee and an executive committee.

Audit Committee

The Company has established an audit committee in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review the financial reporting process and the systems of internal controls of the Group, the completeness and accuracy of its accounts and to liaise on behalf of the directors of the Company with external auditors. The audit committee consists of two independent non-executive directors, Mr. Alexander Reid HAMILTON (chairman of the audit committee) and Mr. CHENG Mo Chi, and one non-executive director, Ms. SUN Yueying, who meet regularly with management of the Company and the Company's external auditors, review audit reports, if applicable, and the interim and annual financial statements, as the case may be, of the Group. It has reviewed the consolidated financial statements for the year ended 31 December 2010, and recommended their approval by the Board.

Corporate Governance

The Company is committed to maintaining high standards of corporate governance by the Group and the Board is of the view that effective corporate governance makes an important contribution to the corporate success and to the enhancement of shareholder value. Please refer to pages 53 to 109 of this annual report for details.

Employees and Remuneration Policies

As at 31 December 2010, there were approximately 39,458 employees in the Group. Total staff cost for the Group for the year, including directors' remuneration, totaled approximately RMB8,032,666,000.

To enhance the quality and capability of our human resources as well as their team spirit and to fully cope with the business expansion of its container shipping, dry bulk shipping, logistics, container terminal, container leasing, freight forwarding and shipping agency business, the Group has organised many professional and comprehensive training programs during the period. The remuneration policies of the Group are reviewed on a regular basis, taking into account the Group's results and market conditions, in order to formulate better incentives and appraisal measures.

Repurchase, Sale or Redemption of the Company's Shares

During the reporting period, the Company did not redeem any of its shares. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed shares during the year.

Donations

Donations made by the Group during the year amounted to RMB24,317,000.

Investor Relations

The Company has always viewed investor relations with great importance, and considers it to be part of our long term strategic management.

In 2010, the Company communicated with the investors in the capital market extensively through organizing domestic and overseas roadshows and reverse roadshows, holding corporate performance seminars, participating in domestic and foreign investor conferences, hosting visitors, and conducting phone conferences. The Company participated in a total of 11 (medium and large scaled) meetings and 315 one-on-one meetings. It was also engaged in direct communication with 1,481 domestic and foreign corporate investors, strategic investors and analysts, responded to phone enquiries from over several thousands of individual investors, and promptly sent to investor when it comes across the Company's published announcements, circulars, public information on shipping market and analysts' reports via email. All these initiatives were well received by the investors.

The Company made use of its website to publish and update, in a timely manner, its announcements, regular reports, news, results announcements, and recordings of analysts' meetings and contact information of our investor relations personnel. The Company has also strived to make it easy for the press to conduct its reports, and provide access to public information from domestic and international financial medium, subject to relevant laws and regulations.

In addition to its external communication, the Company also valued opinion from the capital markets. Its investor relations department actively collected relevant opinion and suggestions for the management to assist with decision-making.

The senior management and relevant personnel who were involved in investor relations have carried out the above tasks in strict compliance with the domestic and overseas regulatory requirements and have proactively performed their duties in accordance with the relevant laws and regulations.

Corporate Culture

The Company has always placed great emphasis on corporate culture, and established training, evaluation and incentive system to implant the key corporate culture concept of China COSCO. It has devoted to create a practical and harmonic atmosphere for corporate development.

By order of the Board of Directors
Wei Jiafu
Chairman

Beijing, the PRC
29 March 2011

Report of Supervisory Committee

(I) Meetings of supervisory committee

Number of meetings	4
Meetings of supervisory committee	**Resolutions of the meetings of supervisory committee**
11th meeting of the second session of supervisory committee	1. Consider the report on the progress of the implementation of decisions made at the 2009 general meeting, the board of directors and the supervisory committee. 2. Review the "2009 Annual Report of China COSCO" (A Shares/ H Shares), "Summary of 2009 Annual Report of China COSCO" (A Shares) and "2009 Annual Results Announcement of China COSCO" (H Shares). 3. Consider the report on the financial position of the Company for the year 2009. 4. Review the 2009 annual financial report and audit report of the Company, prepared according to China accounting standards and Hong Kong Accounting Standards respectively. 5. Review the reports of funds utilization by controlling shareholders and other related parties in 2009. 6. Review the audit report on the profit of dry bulk companies for 2007-2009. 7. Review the profit appropriation plan of China COSCO for the year 2009. 8. Review the self evaluation report of internal control and review opinion issued by the auditing firm for the year 2009. 9. Review the sustainable development report of China COSCO for the year 2009. 10. Review the report of supervisory committee of China COSCO for the year 2009. 11. Review the work plans of the supervisory committee of the Company for the year 2010.
12th meeting of the second session of supervisory committee	Consider the 2010 first quarterly report of China COSCO

Report of Supervisory Committee

Meetings of supervisory committee	Resolutions of the meetings of supervisory committee
13th meeting of the second session of supervisory committee	1. Consider the financial report for the first half of 2010. 2. Review the "Report of China COSCO for the First Half of 2010" (A Shares/H Shares), "Summary of the Report of China COSCO for the First Half of 2010" (A Shares) and "Results Announcement of China COSCO for the First Half of 2010" .
14th meeting of the second session of supervisory committee	1. Review the 2009 third quarterly report of the Company 2. Consider the "Measures for the Registration of People with Insider Information"（內幕信息知情人登記備案管理辦法）. 3. Consider the report on the early disclosure of 2010 annual report. 4. Consider the report of the supervisory committee.

(II) The supervisory committee's independent opinions on whether the Company's operation is in compliance with the laws

The supervisory committee considers that Board and the senior management of the Company have operated in a diligent, responsible and regulated manner in strict compliance with the Articles of Association and applicable laws of the jurisdiction where the Company is listed. The Company has optimised its internal control system by strengthening its system framework. The supervisory committee is not aware of any breach of applicable laws, Articles of Association and any harm to the interests of the Company by the Directors and senior management of the Company.

(III) The supervisory committee's independent opinion on the Company's financial position

The supervisory committee has reviewed the Company's financial report for the year 2010, annual profit appropriation plan and the auditor's reports with no qualified opinion issued by the Company's domestic and international auditors. In the opinion of the supervisory committee, the standard auditor's reports with no qualified opinion issued by RSM China Certified Public Accountants Co., Ltd. and PricewaterhouseCoopers objectively, fairly and truly reflect the Company's financial position and operation results with its profit appropriation plan matching existing operating conditions.

(IV) The supervisory committee's independent opinions on the Company's use of proceeds from the recent financing activity

After considering the report on the use of proceeds from the Company's management, the actual use of proceeds raised recently was consistent with the intended use and there was no change to the intended uses.

(V) The supervisory committee's independent opinion on the Company's acquisition and disposal of assets

Not applicable.

(VI) The supervisory committee's independent opinion on the Company's connected transactions

The supervisory committee reviewed the Company's connected transactions during the reporting period. Each of the connected transactions was conducted at fair market price. Supervisory committee is not aware of any detriment to the interests of the shareholders or the Company.

(VII) The supervisory committee's independent opinion on the qualified opinion of accountants

Not applicable.

(VIII) The supervisory committee's independent opinion on the material discrepancy between the Company's actual profit and profit forecast

Has the Company disclosed any profit forecast or operational plans: Yes

Not applicable.

(IX) The supervisory committee's review on the self evaluation report of internal control

The supervisory committee has considered and approved the self evaluation report of internal control for the year 2010 and review opinion issued by the auditing firm for the year 2010. The supervisory committee had no objection to the self-assessment report of the Board.

The Company's supervisory committee conscientiously performs its duties and conducts its work diligently in accordance with the laws and regulations of the location where the Company's shares were listed, the Articles of Association, the Rules of Procedures of the Supervisory Committee and other legal regulations. During the reporting period, the Company convened four committee meetings, including three on-site meetings and one meeting by circulation of documents. The members of the supervisory committee attended all meetings of the supervisory committee in personal or by proxy. All supervisors also participated in training programs organised by the Tianjin Branch of China Securities Regulatory Commission.

Members of the supervisory committee were present at all meetings of the board of directors and general meetings to perform its checks and balances on the procedural aspects and the resolutions of the board meetings and general meetings, the implementation of resolutions made at general meetings, the conduct of duties by the directors and the senior management and the Company's internal control. The supervisory committee also considered and approved the "Measures for the Registration of People with Insider Information" (內幕信息知情人登記備案管理辦法), so as to safeguard the interests of the shareholders and the Company.

Report of Supervisory Committee

The supervisory committee is of the opinion that the board of directors and the senior management of the Company have strictly complied with the Articles of Association and the relevant requirements of the applicable laws of the place of listing of the Company, and have to dutifully and diligently conduct the Company's operations within the relevant regulatory framework. The Company has optimised its internal control system by strengthening its system framework. To the best knowledge of the supervisory committee, the directors and senior management of the Company did not breach any applicable laws or the Articles of Association or behave in a manner that would harm the interests of the Company.

The supervisory committee has carefully reviewed the 2010 financial report, the annual profit appropriation plan of the Company and the unqualified auditor's reports issued by the Company's internal and external auditors. The supervisory committee is of the opinion that the standard unqualified auditor's reports, issued by RSM China Certified Public Accountants Co., Ltd. and PricewaterhouseCoopers provide an objective, fair and true view of the financial position and operating results of the Company, and the profit appropriation plan conforms to the Company's current operational status.

The supervisory committee has considered and approved the self evaluation report of internal control and review opinion issued by the auditing firm for the year 2010. The supervisory committee had no objection to the self-assessment report by the Board.

The supervisory committee has examined the connected transactions occurred during the reporting period and found that all transactions were conducted at fair market value without causing any detriment to the interests the Company or its shareholders.

In 2011, the supervisory committee will continue to strictly adhere to the Articles of Association and the relevant requirements, and to increase its supervision efforts to effectively safeguard and protect the legal interests of the Company and its shareholders.

Supervisory Committee of China COSCO Holdings Company Limited
29 March 2011

(I) Material litigations and arbitrations

Plaintiff	Defendant	Other parties involved	Nature	Brief description	Amount involved	Status	Judgement and effects	Execution of judgement
COSCO Container Lines Company Limited	溫州市土畜產品對外貿易公司	Nil	Demurrage charges dispute	Note	US$11.79 million	Pending	NA	NA
Aronis-Drettas-Karlaftis Consultant Engineers S.A.	Piraeus Container Terminal S.A.	Nil	Service fee dispute	Note	EUR 5.8 million	Pending	NA	NA
Victims of personal injury and death case	COSCON and/ or COSCO North America	Nil	Personal injury and death in a traffic accident	Note	Appr. US$0.65 million as at 31 December 2008	Settled	COSCO Americas and Interpool had to compensate US$333,333 to the plaintiffi	Settled by nsurance company

Note: Brief description of material litigations and arbitrations are set out in the section "Contingent liabilities" in notes to financial statements.

(II) Matters related to bankruptcy and reorganization

The Company did not have any matters related to bankruptcy and reorganisation during the year.

(III) Other material contracts

(1) COSCO Pacific, a subsidiary of China COSCO, entered into three interest swap contracts of US$200 million in aggregate with CPL Treasury Limited and The Hongkong and Shanghai Banking Corporation Limited on 14 October 2003, 16 October 2003 and 6 November 2003 respectively, pursuant to which COSCO Pacific arranged swaps with the bank for its bonds of US$200 million out of a total of US$300 million bonds of a fixed rate of 5.875% issued in 2003 to floating rates varying from LIBOR+1.05% to LIBOR+1.16%,. Details of the contracts are disclosed in the 2010 annual report of COSCO Pacific.

(2) COSCO Logistics, a subsidiary of China COSCO, entered into 17 commodity property presale contracts with招商局地產(北京)有限公司to purchase 17 office units at a total consideration of RMB430 million.

(IV) Performance of undertakings

1. Undertakings of the Company or shareholders holding 5% interests or more existed or in effect during the reporting period

Undertakings	Subject	Status
Undertakings given in acquisition reports or reports on change of interests	Dry bulk cargo business On 3 September 2007, COSCO issued a "Noncompetition Undertaking" to the Company, making the following undertakings to the Company: So far as COSCO remains as the controlling shareholder China COSCO, other than the above mentioned dry bulk cargo fleet, COSCO and its subsidiaries shall not adopt any actions and measures to conduct any business which compete or may compete with China COSCO and its subsidiaries, and shall not infringe the lawful interests of China COSCO and its subsidiaries, including but not limited to the establishment of other subsidiaries or joint ventures, or associates in future to be engaged in marine dry bulk shipping business, or through other methods directly or indirectly involved in marine dry bulk shipping. Upon the completion of the non-public offering, there shall be no new competitions between COSCO and its subsidiaries with China COSCO and its subsidiaries. At the same time, COSCO has undertaken to give China COSCO the right of first refusal to acquire the assets and/or equity rights relating to dry bulk shipping business to be disposed of by China COSCO or its subsidiaries.	Dry bulk shipping business COSCO adopted such measures before the end of June 2008 and such overseas companies no longer constitute competition with China COSCO.

Undertakings	Subject	Status
	In respect of the chartering of vessels from COSCO Bulk and/or its subsidiaries, and the operation of international marine dry bulk shipping business of these overseas companies, in which COSCO Bulk is interested, COSCO has undertaken to adopt effective measures to solve the above problem before the end of June 2008, including but not limited to adoption of the following measures: adjustment to the merger structure of such overseas companies or reorganise business operations, strengthen corporate governance, so as to ensure such overseas companies shall not constitute counterparty competition with China COSCO.	

Significant Events

Undertakings	Subject	Status
Undertakings given on issuance	1. Container shipping business On 9 June 2005, COSCO entered into "Noncompetition Undertakings" with the Company, and undertook to the Company that: (1) the Group will be the sole entity to be engaged in marine container comprehensive shipping business ("Restricted Container Shipping Business") both in the PRC and overseas with self-owned or chartered container vessels among the subsidiaries of COSCO; and (2) it will procure its members (excluding members of the Group) not to be directly or indirectly engaged in the Restricted Container Shipping Business (whether as shareholder, partner, lender or other capacities, and whether for profits, payments or other benefits). Such undertakings will cease to be effective upon the occurrence of the following: (1) expiry of the twelve months period commencing from the date that COSCO (directly or indirectly) ceased to be the controlling shareholder of the Company through the companies, enterprises or entities under its control;	The Company is not aware of any violation to the undertakings given by COSCO, the controlling shareholder of the Company, during the reporting period.

Undertakings	Subject	Status
	(2) the Company's securities were delisted subsequent to its listing on the Stock Exchange or other stock exchanges and automatic transaction systems agreed by both parties. 2. Container leasing business In respect of container leasing business, COSCO had undertaken to COSCO Pacific during the initial listing of COSCO Pacific on the Stock Exchange in 1994 that COSCO and its subsidiaries shall: (1) not be engaged in any business in any place in the world that may compete with the container leasing business of COSCO Pacific and its subsidiaries; (2) under any circumstances, when COSCO needs containers, it will first consider to lease from the container leasing companies, and under such circumstances, COSCO will grant COSCO Pacific and its subsidiaries the priority to negotiate container leasing business with COSCO, and may consider purchase of containers for own use only when COSCO fails to lease containers from the container leasing companies;	

Undertakings	Subject	Status
	(3) commence with the negotiation with COSCO Pacific and its subsidiaries as mentioned in the preceding paragraph at average market lease values, and to agree at annual rental adjustments in the existing and future contracts, and will enter into all contracts and rental adjustments based on the average rental values of four of the top ten independent container leasing companies; and	
	(4) renew any existing contracts entered with COSCO Pacific and its subsidiaries for further ten years, and will enter into new contracts for a term of ten years.	

Undertakings	Subject	Status
	3. Freight forwarding, shipping agency and logistics business When COSCO Pacific Logistics acquired a 49% interests in COSCO Logistics at the end of 2003, with COSCO retaining a 51% interests in COSCO Logistics, COSCO entered into a "Non-competition deed" with COSCO Logistics and COSCO Pacific Logistics on 22 September 2003 in respect of the businesses conducted by the group of companies under COSCO Logistics. COSCO had made the following undertakings: (1) COSCO undertook that when engaged in shipping agency, freight forwarding, third party logistics and supporting services ("Prohibited Businesses") relating to the above services which compete with the business of COSCO Logistics and its subsidiaries through COSFRE, COSFRE will only provide shipping agency services to COSCON, while the freight forwarding services engaged by COSFRE are mainly solicitation of cargoes for COSCON;	

Undertakings	Subject		Status
	(2)	Save as the above arrangements relating to COSFRE, COSCO shall not (other than through COSCO Logistics and China Road Transport) develop or operate Prohibited Businesses;	
	(3)	COSCO shall procure that other than COSFRE, all Prohibited Businesses in competition with the core businesses of COSCO Logistics, its subsidiaries, including but not limited to those of China Road Transport, if not already disposed of by the COSCO to a third party or acquired by COSCO Logistics and its subsidiaries, will be terminated or wound up within three years from the date of the non-competition deed;	

Undertakings	Subject		Status
	(4)	COSCO gave COSCO Logistics a five year option (subject to any right of first refusal of third parties in accordance with applicable legal requirements) to purchase from COSCO, at fair market price and on normal commercial terms that were fair and reasonable, the entire or partial interests in any businesses or corporations that may compete with or may be similar in nature to the core businesses of COSCO Logistics and its subsidiaries; and	
	(5)	COSCO Logistics shall, subject to any right of first refusal of third parties in accordance with applicable legal requirements, have a right of first refusal in respect of the sale by COSCO of any company or business that may be in competition with any business of COSCO Logistics and its subsidiaries.	

2. The Company's explanation on whether certain assets or projects met the original profit forecasts and the reasons behind, regarding the Company's assets or projects with profit forecasts and that the reporting period was within the term of such project forecasts:

   Not applicable.

Significant Events

(V) Punishment and remedial actions of listed company and its directors, supervisors, senior management, company shareholders and effective controller

During the reporting period (as at 31 December 2010), none of the Company or its directors, supervisors, senior management and effective controllers of the Company was subject to any investigations of relevant authorities, coercive measures of judiciary and discipline inspection departments, transfer to justice authorities or criminal liabilities, investigation, administrative punishment from the China Securities Regulatory Commission, banning the entry to securities markets, identification as inappropriate candidate, punishment by other administrative departments and was the subject of a public reprimand from any stock exchange.

Illegal trading in shares in the Company by directors, supervisors, senior management and shareholders holding 5% or more interests in the Company and forfeiture of benefits received from such trading by the Company

Not applicable.

(VI) Is the Company identified by environmental protection department as a company causing serious pollution? No.

(VII) Description of other significant events

Not applicable.

(VIII) Significant change in the profitability, assets value and creditability of the guarantor of the liabilities of the Company

Not applicable.

Independent Auditor's Report

TO THE SHAREHOLDERS OF CHINA COSCO HOLDINGS COMPANY LIMITED
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of China COSCO Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 156 to 311, which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2011

Consolidated Balance Sheet

As at 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**66,145,178**	62,464,329
Investment properties	7	**443,271**	465,517
Leasehold land and land use rights	8	**2,092,079**	2,058,623
Intangible assets	9	**210,495**	214,321
Jointly controlled entities	11	**4,459,934**	4,398,655
Associates	12	**10,910,150**	6,158,879
Available-for-sale financial assets	15	**627,750**	2,734,777
Derivative financial assets	21	**129,357**	113,051
Deferred income tax assets	16	**1,956,772**	2,129,159
Loans to jointly controlled entities and associates	13	**1,073,318**	1,335,972
Restricted bank deposits	18	**447,610**	75,293
Other non-current assets	17	**541,137**	495,469
Total non-current assets		**89,037,051**	82,644,045
Current assets			
Inventories	19	**2,116,866**	1,782,590
Trade and other receivables	20	**10,987,241**	8,727,581
Available-for-sale financial assets	15	**—**	140,529
Derivative financial assets	21	**—**	2,829
Tax recoverable		**5,693**	316,435
Financial assets at fair value through profit or loss	22	**—**	4,670
Restricted bank deposits	18	**697,838**	24,596
Cash and cash equivalents	18	**46,550,910**	44,098,028
		60,358,548	55,097,258
Assets held for sale	23	**146,216**	—
Total current assets		**60,504,764**	55,097,258
Total assets		**149,541,815**	137,741,303

The notes on pages 167 to 311 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	24	10,216,274	10,216,274
Reserves	25	35,372,814	31,776,069
Proposed final dividend	25	919,465	—
		46,508,553	41,992,343
Non-controlling interests		14,467,284	10,592,472
Total equity		60,975,837	52,584,815
LIABILITIES			
Non-current liabilities			
Long-term borrowings	26	54,927,482	53,117,454
Provisions and other liabilities	27	1,302,883	1,498,338
Derivative financial liabilities	21	—	55,192
Deferred income tax liabilities	16	3,509,983	3,057,369
Other non-current liabilities	28	377,073	—
Total non-current liabilities		60,117,421	57,728,353
Current liabilities			
Trade and other payables	29	20,300,820	17,691,586
Derivative financial liabilities	21	61,024	86,890
Short-term borrowings	30	1,669,381	3,703,366
Current portion of long-term borrowings	26	4,200,211	3,529,595
Current portion of provisions and other liabilities	27	1,264,313	1,523,134
Tax payable		952,808	893,564
Total current liabilities		28,448,557	27,428,135
Total liabilities		88,565,978	85,156,488
Total equity and liabilities		149,541,815	137,741,303
Net current assets		32,056,207	27,669,123
Total assets less current liabilities		121,093,258	110,313,168

The notes on pages 167 to 311 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 156 to 311 were approved by the Board of Directors on 29 March 2011 and were signed on its behalf.

Mr. Wei Jiafu
Director

Mr. Zhang Liang
Director

Balance Sheet

As at 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	3,534	5,028
Intangible assets	9	1,160	1,621
Subsidiaries	10	51,109,130	46,782,873
Loans to subsidiaries	10	14,760,141	9,878,258
Deferred income tax assets	16	33,768	38,342
Total non-current assets		65,907,733	56,706,122
Current assets			
Prepayments, deposits and other receivables	20	12,913	30,871
Advances to and amounts due from subsidiaries	10	1,349,823	2,322,088
Cash and cash equivalents	18	3,638,989	5,580,693
Total current assets		5,001,725	7,933,652
Total assets		70,909,458	64,639,774
EQUITY			
Share capital	24	10,216,274	10,216,274
Reserves	25	38,373,528	38,485,387
Proposed final dividend	25	919,465	—
Total equity		49,509,267	48,701,661
LIABILITIES			
Non-current liabilities			
Long-term borrowings	26	14,754,140	9,870,000
Current liabilities			
Trade and other payables	29	687,683	485,720
Amounts due to subsidiaries	10	5,453,091	5,000,000
Tax payable		505,277	582,393
Total current liabilities		6,646,051	6,068,113
Total liabilities		21,400,191	15,938,113
Total equity and liabilities		70,909,458	64,639,774
Net current (liabilities)/assets		(1,644,326)	1,865,539
Total assets less current liabilities		64,263,407	58,571,661

The notes on pages 167 to 311 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 156 to 311 were approved by the Board of Directors on 29 March 2011 and were signed on its behalf.

Mr. Wei Jiafu
Director

Mr. Zhang Liang
Director

Consolidated Income Statement

For the year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Revenues	5	**96,438,544**	68,462,514
Cost of services and inventories sold	32	**(84,052,455)**	(72,397,839)
Gross profit/(loss)		**12,386,089**	(3,935,325)
Other income, net	31	**270,845**	2,197,383
Selling, administrative and general expenses	32	**(4,944,009)**	(4,670,421)
Operating profit/(loss)	33	**7,712,925**	(6,408,363)
Finance income	34	**1,163,396**	511,600
Finance costs	34	**(1,321,395)**	(1,243,210)
		7,554,926	(7,139,973)
Share of profits less losses of			
- jointly controlled entities	11	**682,639**	567,136
- associates	12	**1,036,037**	359,337
Profit/(loss) before income tax		**9,273,602**	(6,213,500)
Income tax expenses	35	**(1,189,030)**	(450,586)
Profit/(loss) for the year		**8,084,572**	(6,664,086)
Profit/(loss) attributable to:			
Equity holders of the Company	36	**6,858,465**	(7,467,812)
Non-controlling interests		**1,226,107**	803,726
		8,084,572	(6,664,086)
		RMB	RMB
Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company			
- basic	38(a)	**0.6713**	(0.7310)
- diluted	38(b)	**0.6713**	(0.7310)

The notes on pages 167 to 311 are an integral part of these consolidated financial statements.

	Note	2010 RMB'000	2009 RMB'000
Distributions	37(a)	**—**	233,549
Dividends	37(b)	**919,465**	—

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	2010 RMB'000	2009 RMB'000
Profit/(loss) for the year	**8,084,572**	(6,664,086)
Other comprehensive income		
Available-for-sale financial assets		
- fair value (losses)/gains, net of tax	**(79,617)**	258,848
- transferred to consolidated income statement upon sale	**(47,537)**	(61,238)
Cash flow hedges		
- fair value gains, net of tax	**—**	18,199
- transferred to consolidated income statement	**(1,801)**	—
Share of other comprehensive income of jointly controlled entities and associates	**(85,673)**	127,957
Reclassification of an available-for-sale financial asset to an associate		
- release of investment revaluation reserve	**(1,605,002)**	—
- share of reserves	**327,639**	—
Currency translation differences	**(1,580,441)**	84,982
Other movement	**—**	152,313
Other comprehensive income for the year, net of tax	**(3,072,432)**	581,061
Total comprehensive income for the year	**5,012,140**	(6,083,025)
Total comprehensive income for the year attributable to:		
- Equity holders of the Company	**4,809,910**	(7,162,374)
- Non-controlling interests	**202,230**	1,079,349
Total comprehensive income for the year	**5,012,140**	(6,083,025)

The notes on pages 167 to 311 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to equity holders of the Company				
	Share capital RMB'000	Reserves RMB'000 (Note 25)	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
As at 1 January 2010	10,216,274	31,776,069	41,992,343	10,592,472	52,584,815
Comprehensive income					
Profit for the year	—	6,858,465	6,858,465	1,226,107	8,084,572
Other comprehensive income					
Available-for-sale financial assets					
– fair value losses, net of tax	—	(74,444)	(74,444)	(5,173)	(79,617)
– transferred to consolidated income statement upon sale	—	(24,339)	(24,339)	(23,198)	(47,537)
Cash flow hedges					
– transferred to consolidated income statement	—	(1,801)	(1,801)	—	(1,801)
Share of other comprehensive income of jointly controlled entities and associates	—	(38,442)	(38,442)	(47,231)	(85,673)
Reclassification of an available-for-sale financial asset to an associate					
– release of investment revaluation reserve	—	(685,657)	(685,657)	(919,345)	(1,605,002)
– share of reserves	—	139,967	139,967	187,672	327,639
Currency translation differences	—	(1,363,839)	(1,363,839)	(216,602)	(1,580,441)
Total other comprehensive income	—	(2,048,555)	(2,048,555)	(1,023,877)	(3,072,432)
Total comprehensive income for the year ended 31 December 2010	—	4,809,910	4,809,910	202,230	5,012,140

The notes on pages 167 to 311 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to equity holders of the Company				
	Share capital RMB'000	Reserves RMB'000 (Note 25)	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Transactions with owners:					
Contribution from non-controlling shareholders of subsidiaries	—	—	—	175,756	175,756
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	(605,834)	(605,834)
Disposal of a subsidiary (note 41(d))	—	—	—	(6,171)	(6,171)
Acquisition of additional interest in a subsidiary (note 25(g)(i))	—	(342,096)	(342,096)	239,567	(102,529)
Placement of shares by a subsidiary, net of issuance expense (note 25(g)(ii))	—	63,798	63,798	3,891,588	3,955,386
Acquisition of the shares from non-controlling shareholders	—	—	—	(1,674)	(1,674)
Share of other movement of an associate	—	(15,402)	(15,402)	(20,650)	(36,052)
Total transactions with owners	—	(293,700)	(293,700)	3,672,582	3,378,882
As at 31 December 2010	10,216,274	36,292,279	46,508,553	14,467,284	60,975,837
Representing:					
Capital and reserves	10,216,274	35,372,814	45,589,088	14,467,284	60,056,372
2010 final dividend proposed	—	919,465	919,465	—	919,465
As at 31 December 2010	10,216,274	36,292,279	46,508,553	14,467,284	60,975,837

The notes on pages 167 to 311 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to equity holders of the Company				
	Share capital RMB'000	Reserves RMB'000 (Note 25)	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
As at 1 January 2009, as previously reported	10,216,274	42,275,382	52,491,656	9,755,106	62,246,762
Adoption of merger accounting (note 25(f))	—	(348,072)	(348,072)	7,709	(340,363)
As at 1 January 2009	10,216,274	41,927,310	52,143,584	9,762,815	61,906,399
Comprehensive income					
Loss for the year	—	(7,467,812)	(7,467,812)	803,726	(6,664,086)
Other comprehensive income					
Available-for-sale financial assets					
- fair value gains, net of tax	—	87,698	87,698	171,150	258,848
- transferred to consolidated income statement upon sale	—	(60,951)	(60,951)	(287)	(61,238)
Cash flow hedges					
- fair value gains, net of tax	—	18,199	18,199	—	18,199
Share of other comprehensive income of jointly controlled entities and associates	—	60,447	60,447	67,510	127,957
Currency translation differences	—	47,732	47,732	37,250	84,982
Other movement	—	152,313	152,313	—	152,313
Total other comprehensive income	—	305,438	305,438	275,623	581,061
Total comprehensive income for the year ended 31 December 2009	—	(7,162,374)	(7,162,374)	1,079,349	(6,083,025)

The notes on pages 167 to 311 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to equity holders of the Company				
	Share capital RMB'000	Reserves RMB'000 (Note 25)	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Transactions with owners:					
Contribution from non-controlling shareholders of subsidiaries	—	—	—	157,348	157,348
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	(420,509)	(420,509)
Distributions (note 37(a))	—	(233,549)	(233,549)	—	(233,549)
2008 final dividend	—	(2,962,720)	(2,962,720)	—	(2,962,720)
Acquisition of subsidiaries (note 41(c))	—	—	—	7,735	7,735
Establishment of new subsidiaries	—	—	—	13,950	13,950
Disposal of subsidiaries (note 41(d))	—	—	—	(7,718)	(7,718)
Acquisition of additional interests in subsidiaries	—	8,432	8,432	3,773	12,205
Acquisition from non-controlling shareholders	—	(1,030)	(1,030)	(4,271)	(5,301)
Contribution from then shareholder of a subsidiary (note 25(e))	—	200,000	200,000	—	200,000
Total transactions with owners	—	(2,988,867)	(2,988,867)	(249,692)	(3,238,559)
As at 31 December 2009	10,216,274	31,776,069	41,992,343	10,592,472	52,584,815
Representing:					
Capital and reserves	10,216,274	31,776,069	41,992,343	10,592,472	52,584,815
2009 final dividend proposed	—	—	—	—	—
As at 31 December 2009	10,216,274	31,776,069	41,992,343	10,592,472	52,584,815

The notes on pages 167 to 311 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	41(a)	**10,626,395**	(8,418,385)
Interest received		**665,080**	482,857
Income tax paid		**(283,735)**	(500,569)
Net cash from/(used in) operating activities		**11,007,740**	(8,436,097)
Cash flows from investing activities			
Purchase of property, plant and equipment, investment properties, leasehold land, land use rights and intangible assets		**(8,496,671)**	(10,729,283)
Acquisition of subsidiaries, net of cash acquired	41(c)	**—**	(167,596)
Investments in jointly controlled entities and associates		**(3,021,090)**	(113,318)
Purchase of available-for-sale financial assets		**(5,524)**	(1,386)
Proceeds from disposal of property, plant and equipment, investment properties, land use right, and intangible assets		**495,574**	424,841
Refund received from cancellation of vessel construction contracts		**—**	732,044
Cash received from disposal of jointly controlled entities and associates		**24,794**	133,109
Cash received from disposal of available-for-sale financial assets		**156,166**	155,552
Cash received from disposal of other financial assets at fair value through profit or loss		**4,319**	—
Loans granted to jointly controlled entities and associates		**(853,326)**	(178,983)
Repayments of loans granted to jointly controlled entities, associates and an available-for-sale financial asset		**46,507**	310,253
Cash paid for purchase of subsidiaries from COSCO Group		**—**	(140,850)
Dividends received from jointly controlled entities		**523,606**	557,162
Dividends received from associates		**340,439**	279,869
Dividends received from available-for-sale financial assets		**16,508**	173,851
Disposal of subsidiaries, net of cash disposed of	41(d)	**(7,220)**	(6,206)
Decrease in restricted bank deposits		**—**	503,449
Prepaid operating lease payments for concession		**—**	(455,387)
Acquisition of remaining equity interests from non-controlling interests		**(1,674)**	(72,557)
Cash paid for acquisition of additional interest in a subsidiary		**(102,529)**	—
Net cash used in investing activities		**(10,880,121)**	(8,595,436)

The notes on pages 167 to 311 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Cash flows from financing activities			
Proceeds from borrowings		**13,649,711**	51,073,229
Repayments of borrowings		**(12,058,065)**	(17,609,147)
Proceeds from exercise of share options of a subsidiary by grantees		**—**	171
Dividend		**—**	(2,962,720)
Dividends paid to non-controlling interests		**(625,493)**	(397,480)
Contributions from non-controlling shareholders of subsidiaries		**175,756**	172,098
Interest paid		**(1,301,370)**	(1,012,523)
Other incidental borrowing costs and charges paid		**(37,946)**	(66,103)
Repayment of amount due to COSCO		**—**	(178,800)
Contribution from then shareholder of a subsidiary		**—**	200,000
Placement of shares from a subsidiary, net of issuance expense		**3,955,386**	—
Increase in restricted bank deposits		**(861,476)**	—
Prepayment for loan arrangement fee		**(96,374)**	—
Net cash generated from financing activities		**2,800,129**	29,218,725
Net increase in cash and cash equivalents		**2,927,748**	12,187,192
Cash and cash equivalents as at 1 January		**44,098,028**	31,826,918
Exchange (losses)/gains		**(474,866)**	83,918
Cash and cash equivalents as at 31 December	18	**46,550,910**	44,098,028

The notes on pages 167 to 311 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information

China COSCO Holdings Company Limited (the "Company") was incorporated in the People's Republic of China (the "PRC") on 3 March 2005 as a joint stock company with limited liability under the Company Law of the PRC. The address of its registered office is 3rd Floor, No.1 Tongda Square, Tianjin Port Free Trade Zone, Tianjin, the PRC. The H-Shares and A-Shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited since 30 June 2005 and The Shanghai Stock Exchange since 26 June 2007 respectively.

The businesses of the Company and its subsidiaries (together, the "Group") include the provisions of a range of container shipping, dry bulk shipping, managing and operating container terminals, container leasing and logistics services all over the world.

The directors of the Company (the "Directors") regard China Ocean Shipping (Group) Company ("COSCO"), a state-owned enterprise established in the PRC, as being the Company's parent company (note 44). COSCO and its subsidiaries (other than the Group) are collectively referred to as "COSCO Group".

On 1 January 2009, the Group acquired from COSCO Group a 51% equity interest in China Ocean Shipping Agency Qinzhou Company Limited ("Shipping Agency Qinzhou") for a cash consideration of RMB850,000.

On 31 December 2009, the Group completed the acquisition from COSCO the entire equity interest in Shanghai Ocean Shipping Company Limited ("COSCO Shanghai") and its subsidiaries ("COSCO Shanghai group") for a total consideration of RMB232,699,000.

The parent company of COSCO Shanghai group and Shipping Agency Qinzhou (hereinafter collectively referred to as "Acquired Subsidiaries") was COSCO and the aforesaid transactions were regarded as business combinations under common control (note 2(b)(i)). Details of the relevant statements of adjustments for the common control combinations on the Group's financial position as at 31 December 2009 and the Group's results for that year then ended are set out in note 25(f).

There was no business combination under common control occurred for the year ended 31 December 2010.

The Consolidated Financial Statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

These Consolidated Financial Statements have been approved for issue by the Board of Directors on 29 March 2011.

2 Summary of significant accounting policies

(a) Basis of preparation

The Consolidated Financial Statements for the year ended 31 December 2010 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA"). These accounting policies have been consistently applied to all the years presented unless otherwise mentioned.

The Consolidated Financial Statements have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, available-for-sale financial assets, financial assets at fair value through profit or loss and derivative financial instruments are stated at fair value.

The preparation of the Consolidated Financial Statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in note 4.

(i) New and revised standards, amendments to standards and interpretations which are effective in 2010 and adopted by the Group

HKICPA has issued the following new and revised standards, amendments to standards and interpretations which are mandatory for the Group's accounting periods on or after 1 January 2010:

HKAS 1 (Amendment)	"Presentation of Financial Statements"
HKAS 7 (Amendment)	"Statement of Cash Flows"
HKAS 17 (Amendment)	"Leases"
HKAS 18 (Amendment)	"Revenue"
HKAS 36 (Amendment)	"Impairment of Assets"
HKAS 38 (Amendment)	"Intangible Assets"
HKAS 39 (Amendment)	"Financial Instruments: Recognition and Measurement" and "Eligible Hedge Items"
HKFRS 1 (Revised)	"First-time adoption of HKFRSs"
HKFRS 1 (Amendment)	"Additional Exemptions for First-time Adopters"
HKFRS 2 (Amendment)	"Group Cash-settled Share-based Payment Transactions"
HKFRS 5 (Amendment)	"Non-current Assets Held For Sale and Discontinued Operations"
HKFRS 8 (Amendment)	"Operating Segments"
HK- Int 5	"Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause"
HK(IFRIC)- Int 9	"Reassessment of Embedded Derivatives"
HK(IFRIC)- Int 16	"Hedges of a Net Investment in a Foreign Operation"
HK(IFRIC)- Int 17	"Distribution of non-cash assets to owners"

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(i) New and revised standards, amendments to standards and interpretations which are effective in 2010 and adopted by the Group (Continued)

Except that the adoption of HKAS 17 (Amendment) and HK-Int 5 had resulted in a change in accounting policies as described below, the adoption of the above new and revised standards, amendments to standards and interpretations in the current year did not have any significant effect on the Consolidated Financial Statements or result in any significant changes in the Group's significant accounting policies.

HKAS 17 (Amendment) removed the specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land and land use rights", and amortised over the lease term.

The Group has reassessed the classification of unexpired leasehold land as at 1 January 2010 on the basis of information existing at the inception of those leases. As a result of the reassessment, the Group has reclassified leasehold land of carrying value of approximately RMB114,142,000 as at 1 January 2010 from operating lease to finance lease (note 6). However, as the effect of the reclassification in prior years was insignificant to the Consolidated Financial Statements, the change in the accounting policy in respect of the adoption of HKAS 17 (Amendment) had not been applied retrospectively.

HK-Int 5 clarifies that under existing HKAS 1, this requires the liability to be classified as current liability if the borrower does not have the unconditional right at the reporting date to defer settlement for at least twelve months after the balance sheet date.

The Group has classified a non-current liability drawn down during the current year as a current liability as a result of the adoption of HK-Int 5. There was no significant financial effect on the Consolidated Financial Statements in the prior year.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) New standards, amendments to standards and interpretations that are relevant to the Group but not yet effective for the year ended 31 December 2010 and have not been early adopted by the Group

HKICPA has issued the following new standards, amendments to standards and interpretations which are relevant to the Group but not yet effective for the year ended 31 December 2010 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKAS 32 (Amendment)	"Classification of Right Issues"	1 February 2010
HKFRS 1 (Amendment)	"Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters"	1 July 2010
HKFRS 9	"Financial Instruments"	1 January 2013
HK(IFRIC)- Int 14	"Prepayments of a Minimum Funding Requirement"	1 January 2011
HK(IFRIC)- Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

The Group will apply the above standards, amendments to standards and interpretations from 1 January 2011 or later period. The Group has already commenced an assessment of the related impact to the Group. The Group is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted.

(i) HKAS 32 (Amendment) addresses the accounting for right issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such right issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivatives liabilities. The amendment applies retrospectively in accordance with HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

(ii) HKFRS 1 (Amendment) is to provide first-time adopters with the same transition provisions as included in the March 2009 amendment to HKFRS 7 in relation to relief from presenting comparative information that ended before 31 December 2009 for new fair value disclosures requirements.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) New standards, amendments to standards and interpretations that are relevant to the Group but not yet effective for the year ended 31 December 2010 and have not been early adopted by the Group (Continued)

(iii) HKFRS 9 establishes the principles for financial reporting of financial assets:

(i) Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

(ii) An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

(iii) All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

(iv) HK(IFRIC)- Int 14 clarifies that some entities that are subject to a minimum funding requirement have elected to prepay their pension contributions. The prepaid contributions are recovered through lower minimum funding requirements in future years. The previous version of HK(IFRIC)- Int 14 did not permit the recognition of an asset for any surplus arising from the voluntary prepayment of minimum funding contributions in respect of future service. This was an unintended consequence of the interpretation, which has been amended to require that an asset is recognised in these circumstances.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) New standards, amendments to standards and interpretations that are relevant to the Group but not yet effective for the year ended 31 December 2010 and have not been early adopted by the Group (Continued)

(v) HK(IFRIC)- Int 19 clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished.

HKICPA has issued the following improvements to HKFRS which are published in May 2010 by the HKICPA:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	"Presentation of Financial Statements"	1 January 2011
HKAS 27 (Revised)	"Consolidated and separate financial statements"	1 July 2010
HKAS 34 (Amendment)	"Interim Financial Reporting"	1 January 2011
HKFRS 1 (Amendment)	"First time Adoption of International Financial Reporting Standards"	1 January 2011
HKFRS 3 (Revised)	"Business combinations"	1 July 2010
HKFRS 7 (Amendment)	"Financial instruments: Disclosures"	1 January 2011

The Group will apply the above improvements to HKFRS from 1 January 2011 or later period. The Group has already commenced an assessment of the related impact to the Group. The Group is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted.

(i) HKAS 1 (Amendment) confirms that entities may present either in the statement of changes in equity or within the notes, an analysis of the components of other comprehensive income by item.

(ii) HKAS 27 (Revised) clarifies the consequential amendments from HKAS 27 made to HKAS 21, "The Effect of Changes in Foreign Exchange Rates", HKAS 28, "Investments in Associates", and HKAS 31, "Interests in Joint Ventures" apply retrospectively since the date that the entity applies HKAS 27.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) New standards, amendments to standards and interpretations that are relevant to the Group but not yet effective for the year ended 31 December 2010 and have not been early adopted by the Group (Continued)

(iii) HKAS 34 (Amendment) provides guidance to illustrate how to apply disclosure principles in HKAS 34 and add disclosure requirements around:

(i) The circumstances likely to affect fair values of financial instruments and their classification;

(ii) Transfers of financial instruments between different levels of the fair value hierarchy;

(iii) Changes in classification of financial assets, and

(iv) Changes in contingent liabilities and assets.

(iv) HKFRS 1 (Amendment) states that HKAS 8 does not apply both to the entity's selection of accounting policies at the date of transition to HKFRS and to any changes to those policies made to the first annual HKFRS financial statements. Further, the reconciliations required in HKFRS 1 must be updated for changes the entity makes during the year of first time adoption in accounting policies and in transitional choices made in accordance with HKFRS.

HKFRS 1 (Amendment) also allows first-time adopters to use an event-driven fair value as deemed cost, even if the event occurs after the date of transition, but before the first HKFRS financial statements are issued. When such remeasurement occurs after the date of transition to HKFRSs, but during the period covered by its first HKFRS financial statements, any subsequent adjustment to that event-driven fair value is recognised in equity.

HKFRS 1 (Amendment) provides exemption for entities with operations subject to rate regulation such that the entity could elect to use the carrying amount of items of property, plant and equipment or intangible assets determined under the entity's previous GAAP, even if the amount is not qualified for capitalisation under HKFRS, as their deemed cost at the date of transition to HKFRSs. Entities that use this exemption are required to test each item for impairment under HKAS 36 at the date of transition.

(v) HKFRS 3 (Revised) clarifies that entities should apply the rules in HKFRS 3 (not HKFRS 7, HKAS 32 or HKAS 39) to contingent consideration that arises from a business combination with acquisition dates that precede the application of HKFRS 3 (Revised).

HKFRS 3 (Revised) clarifies that only entities with present ownership instruments that entitle their holders to a pro rata share of the entity's net assets in the event of liquidation can choose to measure the non-controlling interest at fair value or the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

HKFRS 3 (Revised) clarifies that the application guidance in HKFRS 3 (Revised) applies to all unexpired share-based payment awards that form part of a business combination, regardless of whether the acquirer is obliged to replace the award.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) New standards, amendments to standards and interpretations that are relevant to the Group but not yet effective for the year ended 31 December 2010 and have not been early adopted by the Group (Continued)

(vi) HKFRS 7 (Amendment) clarifies seven disclosure requirements for financial instruments, with a particular focus on the qualitative disclosures and credit risk disclosures.

(b) Group accounting

The Consolidated Financial Statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(i) Merger accounting for common control combinations

The Consolidated Financial Statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the Consolidated Financial Statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the year in which it is incurred.

2 Summary of significant accounting policies (Continued)

(b) Group accounting (Continued)

(ii) Purchase method of accounting for non-common control combinations

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group, other than the common control combinations (note 2(b) (i)). The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

(iii) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Subsidiaries are de-consolidated from the date that control ceases.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses (note 2(h)). For common control combination, the cost of investment is being either the cash consideration amount (for cash-settled transaction) or the amount of the net asset value of the subsidiary acquired at date of completion (for share-settled transaction). For non-common control combination, the cost of investment is being the amount of the fair value of the consideration for the subsidiary acquired at date of completion.

The results of subsidiaries are accounted by the Company on the basis of dividend income.

2 Summary of significant accounting policies (Continued)

(b) Group accounting (Continued)

(iv) Transaction with non-controlling interests

The Group treats transactions with non-controlling interest as transactions with equity holders of the company. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entities, or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(v) Jointly controlled entities/associates

A jointly controlled entity is a joint venture established as a corporation, partnership or other entity in which the ventures have their respective interests and establish a contractual arrangement among them to define joint control over the economic activity of the entity.

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in jointly controlled entities/associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its jointly controlled entities'/associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity/an associate equals or exceeds its interest in the jointly controlled entity/associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity/associate.

Unrealised gains on transactions between the Group and its jointly controlled entities/associates are eliminated to the extent of the Group's interest in the jointly controlled entities/associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses arising in investments in jointly controlled entities/associates are recognised in the consolidated income statement.

2 Summary of significant accounting policies (Continued)

(b) Group accounting (Continued)

(v) Jointly controlled entities/associates (Continued)

In the Company's balance sheet, the investments in the jointly controlled entities/associates are stated at cost less provision for impairment losses (note 2(h)). The results of jointly controlled entities/associates are accounted for by the Company on the basis of dividend received and receivable.

Accounting policies of subsidiaries, jointly controlled entities and associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Intercompany transactions and balances between group companies are eliminated. Unrealised gains on transactions between group companies and between the Group and its jointly controlled entities and associates are eliminated to the extent of the Group's interest. Unrealised losses are also eliminated but unless the transaction provides evidence of an impairment of the asset transferred.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges.

Foreign exchange gains and losses that related to borrowings and cash and cash equivalents are presented in the income statement within "finance income or cost". All other foreign exchange gains and losses are presented in the income statement within "other income, net".

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the securities, and other changes in the carrying amount of the securities. Translation differences related to changes in the amortised cost are recognised in the consolidated income statement, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in other comprehensive income.

2 Summary of significant accounting policies (Continued)

(c) Foreign currency translation (Continued)

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(3) All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is partially disposed of or sold, currency translation differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Property, plant and equipment

(i) Assets under construction

Assets under construction represent primarily vessels and buildings under construction, and plant and equipment pending installation and are stated at cost less accumulated impairment losses. Cost includes all direct costs relating to the construction of the assets and acquisition.

No depreciation is provided for assets under construction until such time as the relevant assets are completed and ready for intended use. Assets under construction are transferred to relevant categories of property, plant and equipment upon the completion of their respective construction.

2 Summary of significant accounting policies (Continued)

(d) Property, plant and equipment (Continued)

(ii) Container vessels, dry bulk vessels and containers

Container vessels, dry bulk vessels and containers are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Container vessels, dry bulk vessels and containers are depreciated on a straight-line basis over their anticipated useful lives, after taking into account the estimated residual values.

Container vessels	25 years
Dry bulk vessels for	
– Ocean transportation	20 years
– Coastal transportation	30 - 33 years (from the date of first registration)
Containers	12 - 15 years

When the containers cease to be used by the Group and are held for sale, these containers are transferred to inventories at their carrying amount.

Upon acquisition of a vessel, the components of the vessel which are required to be replaced at the next dry-docking are identified and their costs are depreciated over the period to the next estimated dry-docking date. Costs incurred on subsequent dry-docking of vessels are capitalised and depreciated over the period to the next estimated dry-docking date. When significant dry-docking costs incurred prior to the expiry of the depreciation period, the remaining costs of the previous dry-docking are written off immediately.

(iii) Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Other property, plant and equipment are depreciated at rates sufficient to write off their costs less accumulated impairment losses over their estimated useful lives to their respective residual values estimated by the directors or management on a straight-line basis. The estimated useful lives of these assets are summarised as follows:

Buildings	25 to 50 years
Trucks, chassis and motor vehicles	5 to 10 years
Computer and office equipment	3 to 5 years

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred.

2 Summary of significant accounting policies (Continued)

(d) Property, plant and equipment (Continued)

(iv) Leasehold land

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease is calculated using the straight-line method to allocate their revalued amounts to their residual values over their estimated useful lives, as shorter of remaining lease term or useful life.

The residual values of the property, plant and equipment and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(h)).

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised within other income/expenses in the income statement.

(e) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the entities in the Group, is classified as investment property.

Investment properties are stated at cost less accumulated depreciation and impairment losses. The cost less accumulated impairment and residual values of investment properties are depreciated on a straight-line basis over their estimated useful lives.

(f) Leasehold land and land use rights

Land use rights classified as prepaid operating lease payments are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated using the straight-line method to allocate the prepaid operating lease payments for land over the remaining lease term.

2 Summary of significant accounting policies (Continued)

(g) Intangible assets

(i) Goodwill

Goodwill represents the excess of purchase consideration over the fair value of the Group's share of the net identifiable assets of subsidiaries, jointly controlled entities and associates acquired (other than common control combinations) at the date of acquisition.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of jointly controlled entities and associates is included in investments in jointly controlled entities and associates respectively.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

(ii) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years on a straight-line basis.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

2 Summary of significant accounting policies (Continued)

(h) Impairment of investments in subsidiaries, jointly controlled entities, associates and non-financial assets

Assets that have an indefinite useful life, for example, goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries, jointly controlled entities or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, jointly controlled entity or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(i) Assets held for sale

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

(j) Assets under leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Leases that substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as finance leases.

(i) Where the Group is the lessee

(1) Operating leases

Payments made under operating leases (net of any incentives received from the leasing company) are expensed in the income statement on a straight-line basis over the lease periods.

(2) Finance leases

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current liabilities. The finance charges are charged to the income statement over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

2 Summary of significant accounting policies (Continued)

(j) Assets under leases (Continued)

(ii) Where the Group is the lessor

(1) Operating leases

When assets are leased out under operating leases, the assets are included in the balance sheet according to their nature and where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in notes 2(d)(ii) and 2(d)(iii) above. Revenue arising from assets leased out under operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 2(y)(iv) below.

(2) Finance leases

When assets are leased out under finance leases, the present value of the minimum lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Revenue on containers leased out under finance leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 2(y)(iv) below.

(k) Financial assets

(i) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivable and available-for-sale. The classification depends on the purpose for which the assets were acquired. Management determines the classification of these assets at initial recognition.

(1) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets, if expected to be settled within 12 months; otherwise, they are classified as non-current.

(2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables and cash and cash equivalents in the balance sheet (note 2(n) and 2(o)).

(3) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the balance sheet date.

2 Summary of significant accounting policies (Continued)

(k) Financial assets (Continued)

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the assets. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within other income/expenses, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as other income/expenses.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that available-for-sale financial assets are impaired. A significant or prolonged decline in the fair value of the securities below its cost is considered as an indicator that in determining whether the securities are impaired. If any such evidence exists, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement) is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in note 2(n).

2 Summary of significant accounting policies (Continued)

(l) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

(i) Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or

(ii) Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge)

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 21. Movements on the hedging reserve in shareholders' equity are shown in note 25. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining hedge item is more than 12 months, and as a current asset or liability, if the remaining maturity of the hedged item is less than 12 months. Non-hedge derivatives are classified as a current asset or liability.

(i) Fair value hedges

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedged fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within finance costs. The gain or loss relating to the ineffective portion is recognised in the income statement within other income/expenses. Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognised in the income statement within finance costs.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

2 Summary of significant accounting policies (Continued)

(l) Derivative financial instruments and hedging activities (Continued)

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income/expenses.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within finance costs.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within other income/expenses.

(iii) Derivatives at fair value through profit or loss and accounted for at fair value through profit or loss

Certain derivative instruments which do not qualify for hedge accounting are accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement within other income/expenses.

(m) Inventories

Inventories mainly represent bunkers which are stated at the lower of cost and net realisable value. Costs are calculated on a weighted average basis. Net realisable value of bunkers is the expected amount to be realised from use as estimated by the directors/management. Net realisable value of other inventories such as resaleable containers, general merchandises, spare parts and consumable stores and marine supplies is determined on the basis of anticipated sales proceeds less estimated selling expenses.

2 Summary of significant accounting policies (Continued)

(n) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within other expenses. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(o) Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown in short-term borrowings on the balance sheet.

(p) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses. Provision for an onerous contract is recognised when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil the contract.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 Summary of significant accounting policies (Continued)

(q) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(r) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(s) Government subsidy

Subsidy from the government are recognised at their fair value when there is a reasonable assurance that the Group will comply with the conditions attaching with them and that the grants will be received.

Government subsidy relating to income are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate, otherwise subsidy with no future related costs are recognised as income in the period in which they become receivable.

(t) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2 Summary of significant accounting policies (Continued)

(t) Employee benefits (Continued)

(ii) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iii) Post-retirement and early retirement benefit costs

The Group has both defined benefit and defined contribution plans throughout the world. The assets of defined contribution plans are generally held in separate trustee-administered funds. The plans are generally funded by payments from employees and the relevant companies in the Group.

Contributions under the defined contribution plans are charged to the income statement as expense when incurred.

The liability recognised in the balance sheet in respect of defined benefit retirement plans is the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries/management using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related retirement benefit liability. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the income statement directly in the period in which they arise.

Past-service costs are recognised immediately in the income statement, unless the changes to the retirement benefit plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Employee early retirement benefits have been paid to those employees who accept voluntary retirement before the normal retirement date as approved by the management. The related benefit payments are made from the date of early retirement through the normal retirement date.

2 Summary of significant accounting policies (Continued)

(t) Employee benefits (Continued)

(iv) Housing funds

All full-time employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(v) Housing subsidies

The Group has provided one-off cash housing subsidies based on PRC regulations to those eligible employees who have not been allocated with staff quarters at all or who have not been allocated with quarters up to the prescribed standards before 31 December 1998 when the staff quarter allocation schemes were terminated. The subsidies are determined based on a staff member's years of service, position and other criteria. In addition, monthly cash housing allowances should be made to other employees following the withdrawal of allocation of staff quarters regulations, which are recognised as incurred.

The liability recognised in the balance sheet is the present value of the obligation of the one-off housing subsidies at the balance sheet date and the past-service costs are recognised immediately in the income statement.

(vi) Share-based payments

The Group regularly entered into equity-settled or cash-settled share-based payment transactions with employees.

(i) Employee services settled in cash

Employee services received in exchange for cash-settled share-based payments, are recognised at the fair value of the liability incurred and are expensed over the vesting period, when consumed or capitalised as assets, which are depreciated or amortised. The liability is remeasured at each balance sheet date to its fair value, with all changes recognised immediately in the income statement.

(ii) Employee services settled in equity instruments

One of the Group's subsidiaries operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the share options of the subsidiary is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2 Summary of significant accounting policies (Continued)

(u) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, jointly controlled entities and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 Summary of significant accounting policies (Continued)

(v) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the Consolidated Financial Statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the Consolidated Financial Statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(w) Vessels financing, sale and lease back transactions

A series of financing, sale and leasing back of vessels transactions with bank and financial institutions, which are closely interrelated, negotiated as a single transaction, and takes place concurrently or in a continuous sequence, is considered linked and accounted for as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole.

These vessels financing and leasing arrangements are designed to achieve a tax result for the third parties in return for a cash benefit or reduction in the effective loan interest rate offered to the Group and not to convey the right to use the vessels. Such cash benefit is deferred and accounted for as a reduction in the effective interest rate for the borrowings from the bank and financial institutions by amortising the cash benefit over the period from the date of commencement of the vessels financing arrangements to eventual settlement dates.

Under these vessels financing and leasing arrangements, non-current liabilities have been decreased by the loan receivables, those liabilities and loan receivables (and income and charges arising therefrom) are netted off, in order to reflect the overall commercial effect of the arrangements when viewed as a whole. Such netting off has been effected where a right is held to insist on net settlement of the liability and receivable at any time and where no significant risk is borne in respect of the gross amounts.

(x) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 Summary of significant accounting policies (Continued)

(y) Recognition of revenues and income

Revenues comprise the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. Revenues are shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenues when the amount of revenues can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Group recognises revenues and income on the following basis:

(i) Revenues from container shipping

Freight revenues from the operation of international and domestic containerised transportation business are recognised on a percentage-of-completion basis, which is determined on the time proportion method of each individual vessel voyage.

(ii) Revenues from dry bulk shipping

Revenues from time charter of dry bulk shipping, are recognised on a straight-line basis over the period of each charter.

Revenues from voyage charter of dry bulk shipping are recognised on a percentage-of-completion basis, which is determined on the time proportion method of each individual voyage.

(iii) Revenues from container terminal operations

Revenues from container terminal operations are recognised when the services rendered are complete and the vessel leaves the berth.

(iv) Revenues from lease rental income

Rental income arising from assets leased out under operating leases is recognised on a straight-line basis over the period of each lease.

Revenues on assets leased out under finance leases are allocated to accounting period to give a constant periodic rate of return on the net investment in the lease in each period.

2 Summary of significant accounting policies (Continued)

(y) Recognition of revenues and income (Continued)

(v) Revenues from freight forwarding and shipping agency

Revenues are recognised when the services are rendered.

For freight forwarding business, it generally coincides with the date of departure for outward freights and the time of transfer of goods to the customers at the designated location for inward freight. For shipping agency services, it generally coincides with the date of departure of the relevant vessels from the port.

Where the Group effectively acts as a principal in arranging transportation of goods for customers, revenue recognised generally includes the carrier's charges to the Group. Where the Group effectively acts as an agent for the customers, revenue recognised comprises fees for services provided by the Group.

(vi) Revenues from sale of resalable containers

Revenues from sale of resalable containers are recognised on the transfer of risks and rewards of ownership, which generally coincides with the times when the resalable containers are delivered to customers and title has passed. Direct costs relating to the lifting and storage of resalable containers for sale are expensed as incurred.

(vii) Revenues from sale of merchandises

Revenues from the sale of merchandises are recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the merchandises and retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the merchandises sold.

(viii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(ix) Dividend income

Dividend income is recognised when the right to receive payment is established.

(x) Other service income

Other service income is recognised when the services are rendered.

2 Summary of significant accounting policies (Continued)

(z) Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's equity holders or directors, where appropriate.

(aa) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the income statement in the year in which they are incurred.

(ab) Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially recognised at their fair value, and subsequently measured at the higher of (i) the amount initially recognised less accumulated amortisation; and (ii) the amount required to be settled by the guarantor in respect of the financial guarantee contracts at the balance sheet date.

(ac) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

3 Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including market freight rate risk, foreign exchange risk, interest rate risk, equity securities price risk and bunker price risk), credit and counterparty risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to mitigate certain risk exposures.

The Group's Risk Management Committee identifies the financial risks associated with the Group. The Risk Management Committee works closely with the Audit Committee and the Board of Directors to review the controls and procedures for managing the risks identified. The risk management controls and procedures are carried out by respective operating units under the risk management policies as approved by the Board of Directors.

(i) Market risk

(1) Market freight rate risk

The freight rates of the Group's shipping businesses are very sensitive to economic fluctuations. The revenues and cost of services of the Group will increase/decrease if there is an increase/a decrease in the freight rates.

The Group uses freight forward agreements ("FFA") transacted with shipping companies through shipping agents and/or brokers, fixed terms Contracts of Affreightment and time charters to supplement future physical positions of its dry bulk shipping business and to manage its business performance. The Group is exposed to freight rate risk arising from the outstanding FFA at the year end.

As at 31 December 2010, the Group had derivative financial assets and liabilities in respect of FFA of nil (2009: RMB1,011,000) and RMB61,024,000 (2009: RMB142,082,000) respectively (note 21) which are all subject to market freight rate risk.

As at 31 December 2010, with all other variables held constant, if the forward freight rates on FFA contracts held by the Group at the balance sheet date were 10% higher/lower, the net derivative financial liabilities in respect of FFA would have decreased/increased by approximately RMB4,015,000 (2009: net derivative financial liabilities decreased/increased by RMB31,815,000) and accordingly, the Group's post-tax profit for the year would have increased/decreased by approximately RMB3,011,000 (2009: post-tax loss for the year would have decreased/increased by RMB23,861,000) and the equity as at 31 December 2010 would have increased/decreased by approximately RMB3,011,000 (2009: increased/decreased by RMB23,861,000).

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(2) Foreign exchange risk

The functional currency of most of the operating companies within the Group is US dollar. The Group operates internationally and is exposed to foreign exchange risk arising from various non-functional currencies, primarily with respect to Renminbi and Euro dollars ("Euro"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

The actual foreign exchange risk faced by the Group therefore primarily with respect to non-functional currency bank balances, receivable and payable balances and bank borrowings (collectively "Non-Functional Currency Items").

Management monitors foreign exchange exposure and will consider hedging certain foreign currency exposure by using foreign exchange forward contracts when the need arises.

As at 31 December 2010, with all other variables held constant, if non-functional currencies had strengthened/weakened by 10%, the Group's post-tax profit for the year would have increased/decreased by approximately RMB301,181,000 (2009: post-tax loss for the year would have decreased/increased by RMB350,553,000) and the equity as at 31 December 2010 would have increased/decreased by approximately RMB301,181,000 (2009: increased/decreased by RMB350,553,000) respectively as a result of the translation of those Non-Functional Currency Items.

(3) Cash flow and fair value interest rate risk

Other than the deposits placed with bank balances and deposits, and loans to jointly controlled entities and associates (collectively the "Interest Bearing Assets"), the Group has no other significant interest bearing assets.

The Group's interest rate risk also arises from borrowings, certain balances payable to related parties and finance lease obligations (collectively the "Interest Bearing Liabilities"). Interest Bearing Assets and Interest Bearing Liabilities are primarily issued at variable rates which therefore expose the Group to cash flow interest rate risk.

As at 31 December 2010, with all other variables held constant, if the interest rate had increased/decreased by 50 basis point, the corresponding decrease/increase in net finance cost (2009: increase/decrease in net finance cost) would have resulted in an increase/a decrease in the Group's post-tax profit for the year by approximately RMB25,095,000 (2009: post-tax loss for the year would have increased/decreased by RMB18,455,000) and the equity as at 31 December 2010 would have increased/decreased by RMB25,095,000 (2009: decreased/increased by RMB18,455,000).

Management monitors the capital market conditions and where appropriate, interest rate swap contracts with financial institutions will be used to achieve optimum ratio between fixed and floating rates borrowings.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(4) Equity securities price risk

The Group is exposed to equity securities price risk because certain of the Group's investments are classified as available-for-sale financial assets and financial assets through profit and loss which are required to be stated at their fair values (see fair value estimation below). To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio in accordance with the limits set by the Group.

The carrying amount of available-for-sale financial assets would be an estimated RMB62,775,000 lower (2009: RMB287,531,000) or RMB62,775,000 higher (2009: RMB287,531,000) were the market price, discounted rate used in the discounted cash flow analysis or the price/earnings multiple or price/book multiple to differ by 10% from management's estimates.

(5) Bunker price risk

The Group is also exposed to fluctuations in bunker prices. Bunker cost is part of the voyage expenses and is a significant cost item to the Group. Management monitors the market conditions and bunker price fluctuations and where appropriate, bunker forward contracts are used to lock up the price of part of the Group's bunker requirements.

As at 31 December 2010, the Group had no bunker forward contracts (2009: Nil).

(ii) Credit and counterparty risk

The credit and counterparty risk mainly arises from deposits and cash and cash equivalents with banks and financial institutions; derivative financial instruments transacted with banks, financial institutions and shipping companies through shipping agents or brokers, trade and other receivables and down payment to shipyards.

The Group has limited its credit exposure by restricting their selection of financial institutions on those state-owned and PRC banks, overseas banks with good credit rating, and the associate.

The trade customers (including related parties) and shipping companies are assessed and rated based on their credit quality, taking into account their financial position, past experience and other factors. Individual risk limits are set by management of the respective operating units.

The Group reviews the creditworthiness of the shipyards and considers obtaining refund guarantees from the shipyards if necessary. In addition, the Group monitors the construction progress and the financial positions of the shipyards on a regular basis.

Management does not expect any significant losses from non-performance by these relevant parties.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk

The Group's cash management policy is to regularly monitor its current and expected liquidity positions to ensure it has sufficient cash to meet its operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all time so that the Group can meet its short-term and long-term funding requirements and does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

Management monitors rolling forecasts of the Group's liquidity reserve and cash and cash equivalents on the basis of expected cash flows. In addition, the Group's liquidity management policy involves projecting cashflows in major currencies and considering the level of liquid assets necessary to meet these; monitoring balance sheet liquidity ratios against internal and external regulatory requirements; and maintaining debt financing plans.

The table below analyses the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Group	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
As at 31 December 2010				
Bank and other borrowings	**7,089,521**	**22,317,943**	**24,350,794**	**13,499,033**
Derivative financial liabilities (note 21)	**61,024**	**—**	**—**	**—**
Trade and other payables (excluding advance from customers) (note 29)	**17,429,749**	**—**	**—**	**—**
As at 31 December 2009				
Bank and other borrowings	8,360,158	6,604,910	43,147,093	7,167,801
Derivative financial liabilities (note 21)	86,890	55,192	—	—
Trade and other payables (excluding advance from customers) (note 29)	15,208,036	—	—	—

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

Company	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
As at 31 December 2010				
Bank and other borrowings	**594,500**	**594,500**	**11,406,500**	**6,087,500**
Trade and other payables (note 29)	**687,683**	**—**	**—**	**—**
Amounts due to subsidiaries (note 10)	**5,453,091**	**—**	**—**	**—**
As at 31 December 2009				
Bank and other borrowings	377,000	377,000	11,131,000	—
Trade and other payables (note 29)	485,720	—	—	—
Amounts due to subsidiaries (note 10)	5,000,000	—	—	—

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders/equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the net debt to total equity (capital and reserves attributable to equity holders of the Company and non-controlling interests) ratio and the compliance of covenants of its borrowings. Net debt is calculated as total borrowings less cash and cash equivalents. The Group aims to maintain a manageable net debt to equity ratio. As at 31 December 2010, the net debt to equity ratio is summarised as follows:

	2010 RMB'000	2009 RMB'000
Long-term borrowings (note 26)	**59,127,693**	56,647,049
Short-term borrowings (note 30)	**1,669,381**	3,703,366
Total borrowings	**60,797,074**	60,350,415
Less: Cash and cash equivalents (note 18)	**(46,550,910)**	(44,098,028)
Net debt	**14,246,164**	16,252,387
Total equity	**60,975,837**	52,584,815
Net debt to equity ratio	**23.4%**	30.9%

The decrease in net debt to equity ratio during 2010 resulted primarily from completion of placement of shares of COSCO Pacific Limited ("COSCO Pacific"), a subsidiary of the Company (note 25(g)(ii)) and improvement of the Group's results for the year.

In order to maintain or adjust the capital structure, the Group may adjust the return capital to equity holders, issue new shares or sell assets to reduce debt.

3 Financial risk management (Continued)

(c) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2010.

	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial assets (note 21)	—	129,357	—	129,357
Available-for-sale financial assets (note 15)	330,026	257,945	39,779	627,750
Total assets	330,026	387,302	39,779	757,107
Liabilities				
Derivative financial liabilities (note 21)	—	61,024	—	61,024
Borrowings under fair value hedge	—	1,454,689	—	1,454,689
Total liabilities	—	1,515,713	—	1,515,713

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2009.

	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial assets (note 21)	—	115,880	—	115,880
Financial assets at fair value through profit or loss (note 22)	4,670	—	—	4,670
Available-for-sale financial assets (note 15)	425,314	2,417,931	32,061	2,875,306
Total assets	429,984	2,533,811	32,061	2,995,856
Liabilities				
Derivative financial liabilities (note 21)	—	142,082	—	142,082
Borrowings under fair value hedge	—	1,471,846	—	1,471,846
Total liabilities	—	1,613,928	—	1,613,928

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments classified as trading securities or available for sale.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

— Quoted market prices or dealer quotes for similar instruments.

— The fair value of interest rate swaps is based on the market price quoted by dealers as at the balance sheet date.

— The fair value of foreign exchange forward contracts is determined using forward exchange rates at the balance sheet date.

— The fair value of FFA is determined using quoted forward freight market rates as at the balance sheet date.

— The fair value of financial guarantee contracts is determined by reference to the fees charged in an arm's length transaction for similar services or the interest rate differentials charged by lenders on the related borrowings with and without the guarantees granted by the Group.

— Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated useful lives and residual values of container vessels, dry bulk vessels and containers

The Group's major operating assets represent container vessels, dry bulk vessels and containers. Management determines the estimated useful lives, residual values and related depreciation expenses for its container vessels, dry bulk vessels and containers. Management estimates useful lives of the container vessels, dry bulk vessels and containers by reference to the Group's business model, its assets management policy, the industry practice, expected usage of the vessels, expected repair and maintenance, and technical or commercial obsolescence arising from changes or improvements in the vessel market.

Management determines the estimated residual values for its container vessels, dry bulk vessels and containers. This estimate is based on all relevant factors (including the use of the current scrap values of steels in an active market as a reference value) at each measurement date. The depreciation expense will change where the useful lives or residual values of container vessels, dry bulk vessels and containers are different from the previous estimate.

Were the useful lives to differ by 10% from management's estimates as at 31 December 2010 with all other variables held constant, the estimated depreciation expenses of container vessels, dry bulk vessels and containers for the year would be RMB366,262,000 lower or RMB774,030,000 higher for the year ended 31 December 2010.

Were the residual values to differ by 10% from management's estimates as at 31 December 2010 with all other variables held constant, the estimated depreciation expenses of container vessels, dry bulk vessels and containers for the year would be RMB60,692,000 lower or RMB77,745,000 higher for the year ended 31 December 2010.

(ii) Estimated impairment of container vessels, dry bulk vessels and containers

The Group's major operating assets represent container vessels, dry bulk vessels and containers. Management performs review for impairment of the container vessels, dry bulk vessels and containers whenever events or changes in circumstances indicate that the carrying amounts of the container vessels, dry bulk vessels and containers may not be recoverable.

The recoverable amounts of container vessels, dry bulk vessels and containers have been determined either based on value-in-use or fair value less costs to sell method. The fair values of the assets were determined by independent valuers based on market transactions at the balance sheet date. While the value-in-use calculations require the use of estimates on the projections of cash inflows from the continued use of container vessels, dry bulk vessels and containers (including the amount to be received for the disposal of container vessels, dry bulk vessels and containers) and discount rates. All these items have been historically volatile and may impact the results of the impairment assessment.

Based on management's best estimates, there was no impairment loss for container vessels, dry bulk vessels and containers recognised during the year.

4 Critical accounting estimates and judgements (Continued)

(iii) Classification of leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership to the lessee. The Group classifies its lease into either finance leases or operating leases using the general principles of HKAS 17 "Leases".

Management assesses the classification of leases by taking into account the market conditions at the inception of the lease, the period of the lease and the probability of exercising purchase options, if any, attached to the lease.

(iv) Fair value of available-for-sale financial assets

If information on current or recent prices of available-for-sale financial assets is not available, the fair values of available-for-sale financial assets are determined using valuation techniques (including discounted cash flow model or price/earnings multiple model). The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

The carrying amount of available-for-sale financial assets would be an estimated RMB29,772,000 lower or RMB29,772,000 higher were the discount rate used in the discounted cash flow analysis or the price/earnings multiple or price/book multiple to differ by 10% from management's estimates.

(v) Provision for onerous contracts

Management estimates the provision for onerous contracts being the present obligation of the unavoidable costs less the economic benefits expected to be received under those non-cancellable chartered-in dry bulk vessel contracts. The expected economic benefits are estimated based on contracted freight rates of associated chartered-out dry bulk vessel contracts, and estimated future freight rates by reference to market statistics and information while unavoidable costs are estimated based on charterhire payments that the Group is obligated to make under the non-cancellable chartered-in dry bulk vessel contracts.

Management had conducted an assessment of the non-cancellable chartered-in dry bulk vessel contracts and recognised a provision of RMB1,171,623,000 (31 December 2009: RMB1,419,030,000) for onerous contracts (note 27). Those contracts under assessment relate to leases (i) with lease term expiring within 12 months from the balance sheet date; and (ii) with lease term expiring over 12 months from the balance sheet date in respect of the period being covered by the chartered-out dry bulk vessel contracts.

The dry bulk market is currently highly volatile and freight rates longer than 12 months are difficult to predict with a reasonable certainty. Management considers that it cannot reasonably assess as to whether the chartered-in dry bulk vessel contracts with lease terms expiring over 12 months after the balance sheet date, and with period not being covered by chartered-out dry bulk vessel contracts are onerous as the economic benefits expected to be received from those contracts cannot be reliably measured (note 27 (c)).

Were the estimated freight rates for the onerous contracts as at 31 December 2010, with all other variables held constant, to increase or decrease by 10% from management's estimates, the provision for onerous contracts would have been decreased by RMB46,450,000 or increased by RMB48,624,000.

4 Critical accounting estimates and judgements (Continued)

(vi) Voyages in progress

The Group recognises a percentage of estimated total revenues and expenses for any voyage remain incomplete at end of a reporting period. The percentage is calculated based on the number of days completed to the estimated voyage period. If the actual voyage period was different from the estimate, the estimated revenue and voyage expenses would be affected in the following reporting period (see also (vii) below).

Were the actual time proportion to differ by 10% from management's estimates as at 31 December 2010, the gross profit would be RMB116,374,000 lower or RMB154,057,000 higher if it were shorter or longer.

(vii) Provision of voyage expenses

Invoices for voyage expenses are normally received several months after the transaction. For voyages completed or in progress as at end of reporting period (see also (vi) above), voyage expenses are estimated based on the latest quotation and voyage statistics obtained from vendors. If the actual voyage expenses were different from the estimate, this would have an impact on the estimated voyage expenses in the following reporting period.

Were the actual expenses of a voyage to differ from management's estimates as at 31 December 2010 by 10%, the voyage expenses would have been RMB261,444,000 lower or RMB261,444,000 higher in the future periods.

(viii) Control over COSCO Pacific

In May 2010, COSCO Pacific placed its 449,000,000 shares to institutional investors at HK$10.4 per share. Upon the completion of the placing, the Group's equity interest in COSCO Pacific decreased from 51.2% to 42.72%. The Group remains as the single largest shareholder of COSCO Pacific.

Management has exercised its critical judgement when determining whether the Group has de facto control over COSCO Pacific by considering the following:

(i) the Group has obtained effective control over majority of the board of COSCO Pacific;

(ii) the Group has consistently and regularly held a majority of the voting rights exercised at COSCO Pacific's shareholders' meetings and no other single shareholder directly or indirectly controls more voting rights than the Group; and

(iii) the shareholding of other minority shareholders is dispersed and the chance of all other shareholders getting together to vote against the Group is remote.

Based on management's assessment, it is concluded that the Group has obtained de facto control over COSCO Pacific and the Group's 42.72% equity interest in COSCO Pacific is accounted for and consolidated into the consolidated financial statements of the Company as a subsidiary.

4 Critical accounting estimates and judgements (Continued)

(ix) Income taxes, business taxes and withholding taxes

The Group is subject to income taxes, business taxes and withholding taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes, business taxes and withholding taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of overseas subsidiaries to be repatriated and distributed by way of dividends as the Directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future (note 16).

If those undistributed earnings of the overseas subsidiaries are considered to be repatriated and distributed by way of dividends, the deferred income tax charge and deferred income tax liability would have been increased by the same amount of RMB1,644,535,000.

Recognition of deferred tax assets, which principally relate to temporary differences, depend on the management's expectation of the timing of reversal and the taxable profit that will be available against which tax losses can be utilised. The outcome of their actual utilisation or reversal may be different (note 16).

(x) Acquisition of an associate and a business

The initial accounting on the acquisition of an associate and a business involves identifying and determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquired entities or businesses. The fair values of property, plant and equipment, leasehold land and land use rights and intangible assets are determined by reference to market prices or by using financial models. Any changes in the assumptions used and estimates made in determining the fair values, and management's ability to measure reliably the contingent liabilities of the acquired entity or business will impact the carrying amount of these assets and liabilities.

5 Revenues and segment information

Turnover represents gross revenues from operations of container shipping, dry bulk shipping, logistics, container terminal operations and container leasing, net of discounts allowed, where applicable. Revenues recognised during the year are as follows:

	2010 RMB'000	2009 RMB'000
Container shipping (note a)	45,217,453	26,689,028
Dry bulk shipping (note b)	31,727,366	26,582,559
Logistics	15,212,320	12,127,039
Container terminal operations	1,254,555	774,590
Container leasing (note c)	863,873	666,411
Turnover	94,275,567	66,839,627
Manning service income	380,698	288,859
Others	1,782,279	1,334,028
Total revenues	96,438,544	68,462,514

Notes:

(a) Turnover from container shipping includes time charterhire income under agreements of RMB478,141,000 for the year ended 31 December 2010 (2009: RMB496,175,000).

(b) Turnover from dry bulk shipping includes time charterhire income under agreements of RMB18,843,968,000 for the year ended 31 December 2010 (2009: RMB14,550,470,000)

(c) Turnover from container leasing is analysed below:

	2010 RMB'000	2009 RMB'000
Operating lease rentals	632,953	508,743
Finance lease income	1,402	1,605
Proceeds from sale of resaleable containers	229,518	156,063
	863,873	666,411

5 Revenues and segment information (Continued)

Operating segments

The chief operating decision-maker has been identified as the Board of Directors. The Board of Directors reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports and analysed from a business perspective:

— Container shipping and related business

— Dry bulk shipping and related business

— Logistics

— Container terminal operations and related business

— Container leasing, management, sale and related business

— Corporate and other operations that primarily comprise container manufacturing, investment holding, management services and financing.

Segment assets consist primarily of property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, derivative financial assets, restricted bank deposits, other non-current assets, inventories, receivables, financial assets at fair value through profit or loss, and cash and cash equivalents. Segment liabilities consist primarily of long-term borrowings, short-term borrowings, provisions and other liabilities, derivative financial liabilities, other non-current liabilities and payables. Addition to non-current assets comprises additions to property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, investment in jointly controlled entities and associates and other non-current assets (excluding finance lease receivables), including additions resulting from acquisitions through business combinations.

Unallocated assets consist tax recoverable and deferred income tax assets. Unallocated liabilities consist current and deferred income tax liabilities.

Notes to the Consolidated Financial Statements

5 Revenues and segment information (Continued)

Operating segments (Continued)

	Year ended 31 December 2010							
	Container shipping and related business RMB'000	Dry bulk shipping and related business RMB'000	Logistics RMB'000	Container terminal operations and related business RMB'000	Container leasing, management, sale and related business RMB'000	Corporate and other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Income statement								
Total revenues	46,341,943	32,792,726	15,297,871	1,349,012	1,698,956	18,565	(1,060,529)	96,438,544
Inter-segment revenues	(29,670)	(15,768)	(85,551)	(94,457)	(835,083)	—	1,060,529	—
Revenues (from external customers)	46,312,273	32,776,958	15,212,320	1,254,555	863,873	18,565	—	96,438,544
Segment profit	3,623,859	3,023,971	649,625	143,747	690,008	(418,285)	—	7,712,925
Finance income								1,163,396
Finance costs								(1,321,395)
Share of profits less losses of								
– jointly controlled entities	17,433	114,370	45,319	505,517	—	—	—	682,639
– associates	4,238	11,458	76,050	272,546	—	671,745	—	1,036,037
Profit before income tax								9,273,602
Income tax expenses								(1,189,030)
Profit for the year								8,084,572
Depreciation and amortisation	1,325,139	1,211,741	148,873	158,399	594,409	13,820	—	3,452,381
(Reversal of provision)/ provision for impairment of trade and other receivables, net	(673)	(19,803)	(14,455)	298	(2,275)	—	—	(36,908)
Amortised amount of transaction costs on long-term borrowings	26,729	18,023	—	—	7,625	6,541	—	58,918
Unrealised fair value loss on FFA, net	—	61,024	—	—	—	—	—	61,024
Provision for onerous contracts, net	—	1,009,581	—	—	—	—	—	1,009,581
Additions to non-current assets	2,167,386	3,871,589	606,799	4,741,858	1,703,662	28,475	—	13,119,769

5 Revenues and segment information (Continued)

Operating segments (Continued)

	Year ended 31 December 2009							
	Container shipping and related business RMB'000	Dry bulk shipping and related business RMB'000	Logistics RMB'000	Container terminal operations and related business RMB'000	Container leasing, management, sale and related business RMB'000	Corporate and other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Income statement								
Total revenues	27,530,553	27,379,178	12,217,545	837,673	1,570,136	17,249	(1,089,820)	68,462,514
Inter-segment revenues	(20,574)	(11,932)	(90,506)	(63,083)	(903,725)	—	1,089,820	—
Revenues (from external customers)	27,509,979	27,367,246	12,127,039	774,590	666,411	17,249	—	68,462,514
Segment loss	(7,813,147)	473,737	494,381	227,672	579,640	(370,646)	—	(6,408,363)
Finance income								511,600
Finance costs								(1,243,210)
Share of profits less losses of								
– jointly controlled entities	10,679	80,037	72,100	404,320	—	—	—	567,136
– associates	24,076	4,716	67,594	51,442	—	211,509	—	359,337
Loss before income tax								(6,213,500)
Income tax expenses								(450,586)
Loss for the year								(6,664,086)
Depreciation and amortisation	1,214,523	1,365,708	157,849	126,700	543,584	10,516	—	3,418,880
(Reversal of provision)/ provision for impairment of trade and other receivables, net	(1,727)	(96,196)	(17,783)	(41)	25,975	—	—	(89,772)
Amortised amount of transaction costs on long-term borrowings	16,570	10,512	—	—	6,180	6,973	—	40,235
Unrealised fair value loss on FFA, net	—	141,071	—	—	—	—	—	141,071
Provision for onerous contracts, net	—	349,224	—	—	—	—	—	349,224
Additions to non-current assets	3,175,435	6,022,634	361,509	2,874,438	432,351	191,814	—	13,058,181

5 Revenues and segment information (Continued)

Operating segments (Continued)

	As at 31 December 2010							
	Container shipping and related business RMB'000	Dry bulk shipping and related business RMB'000	Logistics RMB'000	Container terminal operations and related business RMB'000	Container leasing, management, sale and related business RMB'000	Corporate and other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Balance sheet								
Segment assets	49,082,742	51,230,207	9,007,440	7,477,924	11,167,131	26,813,663	(24,417,125)	130,361,982
Jointly controlled entities	309,309	710,330	387,907	3,052,388	—	—	—	4,459,934
Associates	30,946	108,256	510,822	5,222,255	—	5,037,871	—	10,910,150
Loans to jointly controlled entities and associates	—	14,731	—	1,058,587	—	—	—	1,073,318
Available-for-sale financial assets	64,019	155,893	242,270	165,568	—	—	—	627,750
Assets held for sale	—	—	—	146,216	—	—	—	146,216
Unallocated assets								1,962,465
Total assets								149,541,815
Segment liabilities	38,594,973	27,141,988	4,858,562	4,247,701	6,026,979	27,650,109	(24,417,125)	84,103,187
Unallocated liabilities								4,462,791
Total liabilities								88,565,978

5 Revenues and segment information (Continued)

Operating segments (Continued)

	As at 31 December 2009							
	Container shipping and related business RMB'000	Dry bulk shipping and related business RMB'000	Logistics RMB'000	Container terminal operations and related business RMB'000	Container leasing, management, sale and related business RMB'000	Corporate and other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Balance sheet								
Segment assets	42,319,893	49,968,655	7,638,141	6,244,917	11,550,756	22,261,085	(19,456,550)	120,526,897
Jointly controlled entities	324,637	724,947	405,225	2,943,846	—	—	—	4,398,655
Associates	37,526	101,635	495,533	915,706	—	4,608,479	—	6,158,879
Loans to jointly controlled entities and associates	—	20,951	—	1,315,021	—	—	—	1,335,972
Available-for-sale financial assets	113,479	151,016	285,259	2,325,552	—	—	—	2,875,306
Unallocated assets								2,445,594
Total assets								137,741,303
Segment liabilities	35,735,638	27,333,061	5,352,662	4,071,499	6,549,753	21,619,492	(19,456,550)	81,205,555
Unallocated liabilities								3,950,933
Total liabilities								85,156,488

5 Revenues and segment information (Continued)

Geographical information

(a) Revenues

The Group's businesses are managed on a worldwide basis. The revenues generated from the world's major trade lanes for container shipping business mainly include Trans-Pacific, Asia-Europe, Intra-Asia, PRC coastal, Trans-Atlantic and others which are reported as follows:

Geographical	Trade lanes
America	Trans-Pacific
Europe	Asia-Europe (including Mediterranean)
Asia Pacific	Intra-Asia (including Australia)
China domestic	PRC coastal
Other international market	Trans-Atlantic and others

The revenues generated from provision of dry bulk shipping business services are classified into international shipping and PRC coastal shipping only.

For the geographical information, freight revenues from container shipping and dry bulk shipping are analysed based on the outbound cargoes or goods transport to each geographical territory.

In respect of logistics, container terminals operations, corporate and other operations, revenues are based on the geographical locations in which the business operations are located.

In respect of container leasing, the movements of containers under operating leases or finance leases are known through reports from the lessees but the Group is not able to control the movements of containers except to the degree that the movements are restricted by the terms of the leases or where safety of the containers is concerned. It is therefore impracticable to present financial information by geographical area and thus the revenues of which are presented as unallocated revenues.

5 Revenues and segment information (Continued)

Geographical information (Continued)

(a) Revenues (Continued)

	2010 RMB'000	2009 RMB'000
Container shipping and related business		
– America	**14,290,448**	7,292,801
– Europe	**12,666,954**	6,524,495
– Asia Pacific	**6,976,272**	4,604,025
– China domestic	**10,746,679**	8,213,291
– Other international market	**1,631,920**	875,367
Dry bulk shipping and related business		
– International shipping	**30,765,224**	25,846,827
– PRC coastal shipping	**2,011,734**	1,520,419
Logistics, container terminal operations and related business, corporate and other operations		
– Europe	**671,160**	259,517
– Asia Pacific	**203,459**	34,879
– China domestic	**15,610,821**	12,624,482
Unallocated	**863,873**	666,411
Total	**96,438,544**	68,462,514

5 Revenues and segment information (Continued)

Geographical information (Continued)

(b) Non-current assets

The Group's non-current assets, other than financial instruments and deferred income tax assets ("Geographical Non-Current Assets"), consist of its property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, jointly controlled entities and associates and other non-current assets (excluding finance lease receivables).

The container vessels, dry bulk vessels and containers (included in property, plant and equipment) are primarily utilised across geographical markets for shipment of cargoes throughout the world. Accordingly, it is impractical to present the locations of the container vessels, dry bulk vessels and containers by geographical areas and thus the container vessels, dry bulk vessels, containers and vessels/containers under construction are presented as unallocated non-current assets.

In respect of the remaining Geographical Non-Current Assets, they are presented based on the geographical locations in which the business operations/assets are located.

	As at 31 December 2010 RMB'000	As at 31 December 2009 RMB'000
China domestic	26,605,383	20,631,670
Non-China domestic	2,532,339	2,375,007
Unallocated	55,646,699	53,241,938
Total	84,784,421	76,248,615

Notes to the Consolidated Financial Statements

6 Property, plant and equipment

Group

	Leasehold land and buildings RMB'000	Container vessels RMB'000	Dry bulk vessels RMB'000	Containers RMB'000	Trucks, chassis and motor vehicles RMB'000	Computer and office equipment RMB'000	Assets under construction RMB'000	Total RMB'000
Cost								
As at 1 January 2010	5,220,568	29,838,750	40,639,936	10,069,520	1,503,046	2,492,840	12,743,541	102,508,201
Currency translation differences	(3,766)	(922,411)	(1,069,240)	(323,126)	(7,245)	(9,659)	(202,924)	(2,538,371)
Reclassification from leasehold land upon adoption of HKAS17 (Amendment) (note 2(a)(i))	138,738	—	—	—	—	—	—	138,738
Reclassification between categories and transferred to investment properties, leasehold land and land use rights and intangible assets	679,456	4,396,065	4,518,267	—	107,575	120,493	(9,978,758)	(156,902)
Additions	50,190	142,608	49,604	1,695,409	66,348	103,215	7,052,621	9,159,995
Disposals/write-off	(21,619)	(243,008)	(617,667)	(171,341)	(75,556)	(58,625)	—	(1,187,816)
Disposal of a subsidiary (note 41(d))	—	—	—	—	(41,089)	(520)	—	(41,609)
Transferred to inventories (note 6(d))	—	—	—	(606,902)	—	—	—	(606,902)
As at 31 December 2010	6,063,567	33,212,004	43,520,900	10,663,560	1,553,079	2,647,744	9,614,480	107,275,334
Accumulated depreciation and impairment								
As at 1 January 2010	848,907	12,849,381	22,215,508	2,154,565	833,227	1,142,284	—	40,043,872
Currency translation differences	(1,980)	(384,774)	(361,059)	(56,804)	(3,358)	(5,763)	—	(813,738)
Reclassification from leasehold land upon adoption of HKAS17 (Amendment) (note 2(a)(i))	24,596	—	—	—	—	—	—	24,596
Depreciation charge for the year	178,587	1,120,547	1,125,914	586,256	118,715	177,221	—	3,307,240
Disposals/write-off	(10,626)	(196,132)	(534,561)	(127,516)	(60,084)	(51,484)	—	(980,403)
Disposal of a subsidiary (note 41(d))	—	—	—	—	(22,665)	(496)	—	(23,161)
Transferred to inventories (note 6(d))	—	—	—	(428,250)	—	—	—	(428,250)
As at 31 December 2010	1,039,484	13,389,022	22,445,802	2,128,251	865,835	1,261,762	—	41,130,156
Net book value								
As at 31 December 2010	5,024,083	19,822,982	21,075,098	8,535,309	687,244	1,385,982	9,614,480	66,145,178

6 Property, plant and equipment (Continued)

Group (Continued)

	Leasehold land and buildings RMB'000	Container vessels RMB'000	Dry bulk vessels RMB'000	Containers RMB'000	Trucks, chassis and motor vehicles RMB'000	Computer and office equipment RMB'000	Assets under construction RMB'000	Total RMB'000
Cost								
As at 1 January 2009	4,276,830	27,799,335	35,274,935	10,232,340	1,418,361	2,359,293	13,326,312	94,687,406
Currency translation differences	6,683	(23,582)	(17,630)	(9,511)	1,349	5,008	(7,922)	(45,605)
Reclassification between categories and transferred to investment properties and intangible assets	853,041	2,298,155	6,439,294	78	91,721	19,891	(9,865,394)	(163,214)
Additions	221,304	—	239,822	422,787	90,399	278,550	9,959,226	11,212,088
Acquisition of subsidiaries (note 41(c))	505	—	—	—	967	929	175,280	177,681
Cancellation of contracts (note 44(l))	—	—	—	—	—	—	(838,892)	(838,892)
Disposals/write-off	(120,140)	(235,158)	(1,296,485)	(23,011)	(82,344)	(169,559)	(5,069)	(1,931,766)
Disposal of subsidiaries (note 41(d))	(17,655)	—	—	—	(17,407)	(1,272)	—	(36,334)
Transferred to inventories (note 6(d))	—	—	—	(553,163)	—	—	—	(553,163)
As at 31 December 2009	5,220,568	29,838,750	40,639,936	10,069,520	1,503,046	2,492,840	12,743,541	102,508,201
Accumulated depreciation and impairment								
As at 1 January 2009	745,706	12,087,414	22,152,044	1,995,465	754,753	1,102,960	—	38,838,342
Currency translation differences	1,071	(46,275)	(15,731)	(1,976)	893	3,274	—	(58,744)
Depreciation charge for the year	129,787	996,159	1,280,623	539,770	146,842	195,351	—	3,288,532
Disposals/write-off	(10,930)	(187,917)	(1,201,428)	(13,594)	(56,723)	(158,185)	—	(1,628,777)
Disposal of subsidiaries (note 41(d))	(16,727)	—	—	—	(12,538)	(1,116)	—	(30,381)
Transferred to inventories (note 6(d))	—	—	—	(365,100)	—	—	—	(365,100)
As at 31 December 2009	848,907	12,849,381	22,215,508	2,154,565	833,227	1,142,284	—	40,043,872
Net book value								
As at 31 December 2009	4,371,661	16,989,369	18,424,428	7,914,955	669,819	1,350,556	12,743,541	62,464,329

6 Property, plant and equipment (Continued)

Company

	Motor vehicles RMB'000	Computer and office equipment RMB'000	Total RMB'000
Cost			
As at 1 January 2010	4,707	9,028	13,735
Additions	—	652	652
As at 31 December 2010	4,707	9,680	14,387
Accumulated depreciation			
As at 1 January 2010	2,451	6,256	8,707
Depreciation charge for the year	885	1,261	2,146
As at 31 December 2010	3,336	7,517	10,853
Net book value			
As at 31 December 2010	1,371	2,163	3,534
Cost			
As at 1 January 2009	4,707	8,233	12,940
Additions	—	795	795
As at 31 December 2009	4,707	9,028	13,735
Accumulated depreciation			
As at 1 January 2009	1,460	5,004	6,464
Depreciation charge for the year	991	1,252	2,243
As at 31 December 2009	2,451	6,256	8,707
Net book value			
As at 31 December 2009	2,256	2,772	5,028

6 Property, plant and equipment (Continued)

Company (Continued)

Notes:

(a) The aggregate cost, accumulated depreciation and impairment of the leased assets, where the Group is the lessor/charterer under the operating lease/time charter arrangements, are set out below:

	Container RMB'000	Containers vessels RMB'000	Dry bulk vessels RMB'000	Total RMB'000
As at 31 December 2010				
Cost	**5,882,507**	**4,718,183**	**28,675,610**	**39,276,300**
Accumulated depreciation and impairment	**(1,108,335)**	**(995,975)**	**(16,382,494)**	**(18,486,804)**
	4,774,172	**3,722,208**	**12,293,116**	**20,789,496**
As at 31 December 2009				
Cost	4,525,642	4,423,497	26,483,747	35,432,886
Accumulated depreciation and impairment	(1,108,668)	(682,300)	(14,980,215)	(16,771,183)
	3,416,974	3,741,197	11,503,532	18,661,703

(b) As at 31 December 2010, container vessels, dry bulk vessels and vessels under construction with aggregate net book values of RMB10,905,893,000, RMB5,629,281,000 and RMB405,773,000 (2009: RMB12,258,535,000, RMB3,626,524,000 and RMB975,281,000) respectively were pledged as securities for loan facilities granted by banks, third parties and an associate (note 26(h)).

As at 31 December 2010, 28 vessels under construction with net book value of RMB3,567,887,000 were pledged to obtain banking facilities of approximately RMB11,595,632,000 (equivalent to US$1,750,892,000), such facilities have not been drawn down by the Group. In addition, the Group prepaid loan arrangement fee and other related costs for obtaining such loan facilities amounting to RMB96,374,000 (note 17).

(c) As at 31 December 2010, buildings and other property, plant and equipment with net book value of RMB54,494,000 (2009: RMB59,646,000) and RMB138,388,000 (2009: Nil) respectively were pledged as securities for long-term bank borrowings (note 26(h)).

(d) During the year, the Group transferred containers with aggregate net book values of RMB178,652,000 (2009: RMB188,063,000) to inventories.

(e) The net book value of a vessel held under finance lease as at 31 December 2010 amounted to RMB48,061,000 (2009: RMB54,475,000) (note 26(i)).

(f) In 2006, the Group entered into agreements with certain bank and financial institution pursuant to which the Group participated in a series of linked transactions including financing, sales and leasing back of two vessels (the "Vessel Financing Lease Arrangements"). These two vessels with net book values of RMB757,176,000 (equivalent to approximately US$114,330,000) as at 31 December 2010 (2009: RMB814,434,000 (equivalent to approximately US$119,275,000)) are accounted for as property, plant and equipment as the Group retains all the risks and rewards incident to the ownership of the underlying assets and enjoys substantially the same rights to its use before or after the Vessel Financing Lease Arrangements.

As at 31 December 2010, the balance of RMB405,765,000 (equivalent to approximately US$61,269,000) (2009: RMB456,655,000 (equivalent to approximately US$66,878,000)) in respect of the arrangements was included in bank loans under long-term borrowings (note 26(h)).

(g) The depreciation of the dry-docking costs for the year ended 31 December 2010 and the net book value of the dry-docking costs as at 31 December 2010 were RMB83,702,000 (2009: RMB112,711,000) and RMB101,098,000 (2009: RMB121,488,000) respectively.

6 Property, plant and equipment (Continued)

Company (Continued)

Notes: (Continued)

(h) During the year, interest expenses of RMB104,277,000 (2009: RMB79,949,000) were capitalised in vessel costs during the vessel construction period (note 34).

(i) As at 31 December 2010, deposits paid by the Group in relation to construction work of vessels not yet commenced, amounting to RMB3,589,782,000 (2009: RMB3,762,386,000) were included in assets under construction.

(j) The accumulated impairment losses of property, plant and equipment at 31 December 2010 amounted to RMB960,895,000 (2009: RMB971,583,000).

(k) The net book value of the leasehold land classified as finance lease are analysed as follows:

	2010 RMB'000
In Hong Kong, held on:	
Leases of over 50 years	98,539
Leases of between 10 to 50 years	7,811
	106,350
Outside Hong Kong, held on:	
Leases of over 50 years	4,875
Total	111,225

7 Investment properties

	Group 2010 RMB'000	2009 RMB'000
Cost	**597,543**	483,085
Accumulated depreciation	**(132,026)**	(126,201)
Net book value as at 1 January	**465,517**	356,884
Currency translation differences	**(766)**	(17)
Additions	**10,813**	4,651
Reclassification from property, plant and equipment	**991**	132,807
Reclassification from leasehold land and land use rights	**811**	9,157
Disposals	**(7,740)**	(565)
Depreciation	**(26,355)**	(37,400)
Net book value as at 31 December	**443,271**	465,517
Cost	**608,380**	597,543
Accumulated depreciation	**(165,109)**	(132,026)
Net book value as at 31 December	**443,271**	465,517

The fair value of the investment properties as at 31 December 2010 was RMB1,877,769,000 (2009: RMB1,392,797,000). The fair value is estimated by the management with reference to recent market transactions or independent professional property valuers based on current prices in an active market, where applicable.

7 Investment properties (Continued)

The Group's interests in investment properties at their net book value are analysed as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
In Hong Kong, held on:		
Leases of over 50 years	24,302	25,712
In China Mainland, held on:		
Leases of between 10 to 50 years	416,193	439,550
Leases of less than 10 years	2,776	255
	418,969	439,805
Total	443,271	465,517

8 Leasehold land and land use rights

	Group	
	2010	2009
	RMB'000	RMB'000
Cost	2,216,165	1,245,855
Accumulated amortisation	(157,542)	(125,274)
Net book value as at 1 January	2,058,623	1,120,581
Currency translation differences	(1,009)	307
Additions	63,978	630,573
Acquisition of a subsidiary (note 41(c))	—	372,627
Reclassification to property, plant and equipment upon adoption of HKAS17(Amendment) (note 2(a)(i))	(114,142)	—
Reclassification from property, plant and equipment	143,193	—
Reclassification to investment properties	(811)	(9,157)
Disposals	(5,429)	(23,576)
Amortisation	(52,324)	(32,732)
Net book value as at 31 December	2,092,079	2,058,623
Cost	2,278,000	2,216,165
Accumulated amortisation	(185,921)	(157,542)
Net book value as at 31 December	2,092,079	2,058,623

8 Leasehold land and land use rights (Continued)

Note:

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value, are analysed as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
In Hong Kong, held on:		
Leases of over 50 years	—	108,997
Leases of between 10 to 50 years	—	1,252
	—	110,249
Outside Hong Kong, held on:		
Leases of over 50 years	20,766	26,218
Leases of between 10 to 50 years	2,071,313	1,922,156
	2,092,079	1,948,374
Total	2,092,079	2,058,623

9 Intangible assets

	Group			Company
	Goodwill	Computer software	Total	Computer software
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2010				
Opening net book value	26,471	187,850	214,321	1,621
Currency translation differences	—	(1,836)	(1,836)	—
Additions	—	39,477	39,477	—
Amortisation	—	(53,623)	(53,623)	(461)
Disposal/write-off	—	(562)	(562)	—
Reclassification from property, plant and equipment	—	12,718	12,718	—
Closing net book value	26,471	184,024	210,495	1,160
At 31 December 2010				
Cost	26,471	761,881	788,352	2,371
Accumulated amortisation	—	(577,857)	(577,857)	(1,211)
Net book value	26,471	184,024	210,495	1,160

9 Intangible assets (Continued)

	Goodwill RMB '000	Group Computer software RMB '000	Total RMB '000	Company Computer software RMB '000
Year ended 31 December 2009				
Opening net book value	—	186,027	186,027	1,480
Currency translation differences	—	147	147	—
Additions	—	28,112	28,112	614
Acquisition of a subsidiary (note 41(c))	26,471	—	26,471	—
Amortisation	—	(56,821)	(56,821)	(473)
Disposal/write-off	—	(22)	(22)	—
Reclassification from property, plant and equipment	—	30,407	30,407	—
Closing net book value	26,471	187,850	214,321	1,621
At 31 December 2009				
Cost	26,471	716,233	742,704	2,371
Accumulated amortisation	—	(528,383)	(528,383)	(750)
Net book value	26,471	187,850	214,321	1,621

Goodwill is allocated to the Group's cash-generated units ("CGU") identified according to the acquired subsidiary. The goodwill arose from the Group's acquisition of additional equity interest in Qingdao Ocean Hotel Co., Ltd. ("Qingdao Ocean Hotel") in 2009. The recoverable amount of the CGU containing goodwill has been determined based on the fair value of the underlying business project of Qingdao Ocean Hotel. Management has performed an impairment review of the carrying amount of goodwill as at 31 December 2010 based primarily on the market price of the land and the recoverable amount is higher than the carrying amount of goodwill. No impairment loss of goodwill was recognised for the year.

Amortisation of intangible assets of RMB3,712,000 (2009: RMB3,887,000) and RMB49,911,000 (2009: RMB52,934,000) are included in the "Cost of services" and "Selling, administrative and general expenses" respectively in the income statement.

10 Subsidiaries

	Company	
	2010	2009
	RMB'000	RMB'000
Non-current assets		
Unlisted investments		
At cost	**37,237,860**	32,911,603
Equity loan to a subsidiary (note a)	**13,871,270**	13,871,270
	51,109,130	46,782,873
Loans to subsidiaries (note c)	**14,760,141**	9,878,258
Current assets		
Amounts due from subsidiaries (note a)	**939,423**	1,492,088
Advances to subsidiaries (note b)	**410,400**	830,000
	1,349,823	2,322,088
Current liabilities		
Amounts due to subsidiaries (note a)	**(5,453,091)**	(5,000,000)

Notes:

(a) The equity loan to a subsidiary are unsecured, interest free and of investment in nature. Amounts due from/to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

(b) The advances to subsidiaries are unsecured, bear interest at 1% per annum and wholly repayable within one year. These advances were funded from the Company's A-share proceed used for special purposes. They are arranged and entrusted through PRC banks to its subsidiaries.

(c) The loans of RMB14,754,140,000 (2009: RMB9,870,000,000) to subsidiaries are unsecured and were funded by the proceeds from the issue of notes by the Company. The terms of repayment and interest rates charged for the loans to the subsidiaries were identical with the terms of notes issued by the Company (note 26(c)(i)).

The remaining loan balance of RMB6,001,000 (2009: RMB8,258,000) is unsecured, interest free and has no fixed terms of repayment.

As at 31 December 2010, the fair value of the loans to subsidiaries amounted to RMB14,379,000 (2009: RMB9,620,000).

(d) As at 31 December 2010, the Company provided guarantees to banks for credit facilities granted to a subsidiary of RMB231,132,000 (2009: RMB285,965,000).

(e) Details of the principal subsidiaries at 31 December 2010 are shown in note 46(a).

11 Jointly controlled entities

	Group 2010 RMB'000	Group 2009 RMB'000
Share of net assets	**4,047,916**	3,986,146
Goodwill on acquisitions (note a)	**274,465**	282,981
Equity Loan (note b)	**137,553**	129,528
	4,459,934	4,398,655

Notes:

(a) The carrying amount of goodwill on acquisitions of jointly controlled entities mainly represented the goodwill on acquisitions of equity interests in Shanghai Pudong International Container Terminals Limited, Qingdao Qianwan Container Terminal Co., Ltd. and Nanjing Port Longtan Containers Co., Ltd. of RMB208,185,000 (2009: RMB214,644,000), RMB35,511,000 (2009: RMB36,613,000) and RMB30,021,000 (2009: RMB30,952,000) respectively. The movement during the year was mainly resulted from currency translation differences.

(b) The equity loan to a jointly controlled entity is unsecured, interest free and has no fixed terms of repayment.

(c) The financial information below, after making adjustments to conform to the Group's significant accounting policies, represents the Group's interests in respective jointly controlled entities:

	Non-current assets RMB'000	Current assets RMB'000	Non-current liabilities RMB'000	Current liabilities RMB'000	Non-controlling interests RMB'000	Revenues RMB'000	Profits less losses after income tax RMB'000
2010	**9,725,828**	**2,550,691**	**(4,345,937)**	**(3,487,826)**	**(394,840)**	**(3,974,920)**	**(682,639)**
2009	9,429,271	2,631,494	(4,464,515)	(3,198,487)	(411,617)	(4,535,797)	(567,136)

(d) The Company has no directly owned jointly controlled entity as at 31 December 2010 and 2009. Details of the principal jointly controlled entities as at 31 December 2010 are shown in note 46(b).

As at 31 December 2010, there were no contingent liabilities relating to the Group's interests in jointly controlled entities. In addition, none of the jointly controlled entities had any contingent liabilities.

12 Associates

	Group	
	2010	2009
	RMB'000	RMB'000
Share of net assets		
Listed shares	4,449,332	4,069,580
Unlisted shares (note a)	5,082,701	2,088,705
	9,532,033	6,158,285
Goodwill on acquisitions (note a)	187,283	594
Equity loans (note a)	1,190,834	—
	10,910,150	6,158,879
Market value of listed shares	12,210,418	6,936,147

Notes:

(a) In June 2010, the Group's subsidiary, COSCO Pacific completed the acquisition of additional 9.64% equity interest in Sigma Enterprises Limited ("Sigma"), previously an available-for-sale financial asset of the Group, and 5.12% equity interest in Wattrus Limited ("Wattrus"), as a shareholder with 79.4% interest in Sigma, and shareholders' loans to Sigma and Wattrus, for a total consideration of US$520,000,000 (equivalent to approximately RMB3,547,388,000). After the acquisition, COSCO Pacific held 16.49% equity interest in Sigma and 5.12% equity interest in Wattrus, representing an effective equity interest of 20.55% in Sigma.

The directors of COSCO Pacific considered that COSCO Pacific has significant influence over Sigma and Wattrus through its representatives on the boards of directors of Sigma and Wattrus and therefore classified Sigma and Wattrus as associates as at 31 December 2010.

The carrying amount of goodwill on acquisitions of associates mainly represented the goodwill on acquisition of equity interests in Sigma and Wattrus of RMB136,885,000 (2009: Nil) and RMB49,823,000 (2009: Nil) respectively.

The equity loans to associates are unsecured, interest free and have no fixed terms of repayment.

12 Associates (Continued)

Notes: (Continued)

(b) The financial information below, after making necessary adjustments to conform to the Group's significant accounting policies, represents the Group's interests in respective associates:

	Total assets RMB'000	Total liabilities RMB'000	Non-controlling interests RMB'000	Revenues RMB'000	Profits less losses after income tax RMB'000
2010	**30,283,798**	**(19,159,605)**	**(1,592,160)**	**(12,907,095)**	**(1,036,037)**
2009	20,100,591	(13,560,070)	(382,236)	(5,512,905)	(359,337)

(c) The Company had no directly owned associate as at 31 December 2010 and 2009. Details of the principal associates as at 31 December 2010 are shown in note 46(c).

13 Loans to jointly controlled entities and associates

	2010 RMB'000	2009 RMB'000
Loans to jointly controlled entities (note a)	**884,572**	1,114,466
Loans to associates (note b)	**188,746**	221,506
	1,073,318	1,335,972

Notes:

(a) The loans to jointly controlled entities are unsecured. Except for the loan to a jointly controlled entity of RMB616,368,000(2009: RMB623,906,000) which bears interest at 0.6% (2009: 0.6%) per annum above the US dollar LIBOR and is wholly repayable on or before 30 June 2013 and not repayable within twelve months, the remaining balances are interest free and not repayable within twelve months.

(b) The loans to associates are unsecured. Balance of RMB188,746,000 (2009: RMB174,610,000) which bore interest at 2% (2009: 2%) per annum above the 10-year Belgium prime rate and has no fixed terms of repayment. The loans as at 31 December 2009 also included a loan of RMB46,896,000 bears interest at 0.5% per annum above the Tokyo Interbank Offered Rate, and was repaid in 2010.

14 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

Group

	Loans and receivables RMB'000	Assets at fair value through profit and loss RMB'000	Derivatives used for hedging RMB'000	Available-for-sale RMB'000	Total RMB'000
Assets as per consolidated balance sheet					
As at 31 December 2010					
Available-for-sale financial assets (note 15)	—	—	—	627,750	627,750
Derivative financial assets (note 21)	—	—	129,357	—	129,357
Trade and other receivables (excluding prepayments and deposits) (note 20)	8,915,427	—	—	—	8,915,427
Loans to jointly controlled entities and associates (note 13)	1,073,318	—	—	—	1,073,318
Bank deposits and cash and cash equivalents (note 18)	47,696,358	—	—	—	47,696,358
Finance lease receivable (note 17(b))	24,668	—	—	—	24,668
Total	57,709,771	—	129,357	627,750	58,466,878
Assets as per consolidated balance sheet					
As at 31 December 2009					
Available-for-sale financial assets (note 15)	388,422	—	—	2,486,884	2,875,306
Derivative financial assets (note 21)	—	1,011	114,869	—	115,880
Financial assets at fair value through profit or loss (note 22)	—	4,670	—	—	4,670
Trade and other receivables (excluding prepayments and deposits) (note 20)	7,175,186	—	—	—	7,175,186
Loans to jointly controlled entities and associates (note 13)	1,335,972	—	—	—	1,335,972
Bank deposits and cash and cash equivalents (note 18)	44,197,917	—	—	—	44,197,917
Finance lease receivable (note 17(b))	13,539	—	—	—	13,539
Total	53,111,036	5,681	114,869	2,486,884	55,718,470

14 Financial instruments by category (Continued)

Group (Continued)

	Liabilities at fair value through profit and loss RMB'000	Other financial liabilities RMB'000	Total RMB'000
Liabilities as per consolidated balance sheet			
As at 31 December 2010			
Trade and other payables (excluding advance from customers) (note 29)	**—**	**17,429,749**	**17,429,749**
Borrowings (notes 26, 30)	**—**	**60,797,074**	**60,797,074**
Derivative financial liabilities (note 21)	**61,024**	**—**	**61,024**
Total	**61,024**	**78,226,823**	**78,287,847**
Liabilities as per consolidated balance sheet			
As at 31 December 2009			
Trade and other payables (excluding advance from customers) (note 29)	—	15,208,036	15,208,036
Borrowings (notes 26, 30)	—	60,350,415	60,350,415
Derivative financial liabilities (note 21)	142,082	—	142,082
Total	142,082	75,558,451	75,700,533

14 Financial instruments by category (Continued)

Company

	Loans and receivables RMB'000
Assets as per balance sheet	
As at 31 December 2010	
Other receivables (note 20)	**12,913**
Loans to and receivables from subsidiaries (note 10)	**16,109,964**
Cash and cash equivalents (note 18)	**3,638,989**
Total	**19,761,866**
As at 31 December 2009	
Other receivables (note 20)	30,871
Loans to and receivables from subsidiaries (note 10)	12,200,346
Cash and cash equivalents (note 18)	5,580,693
Total	17,811,910

	Other financial liabilities RMB'000
Liabilities as per balance sheet	
As at 31 December 2010	
Other payables and accruals (note 29)	**687,683**
Payables to a subsidiary (note 10)	**5,453,091**
Borrowings (note 26)	**14,754,140**
Total	**20,894,914**
As at 31 December 2009	
Other payables and accruals (note 29)	485,720
Payables to subsidiaries (note 10)	5,000,000
Borrowings (note 26)	9,870,000
Total	15,355,720

Notes to the Consolidated Financial Statements

15 Available-for-sale financial assets

	Group 2010 RMB'000	2009 RMB'000
As at 1 January	**2,875,306**	2,912,004
Additions	**13,066**	136,577
Disposals	**(145,602)**	(104,114)
Repayment of equity loan	**—**	(295,683)
Net fair value (loss)/gain recognised in equity	**(102,334)**	226,522
Currency translation differences	**(5,195)**	—
Reclassification of an available-for-sale financial asset to an associate (note 12(a))	**(2,007,491)**	—
As at 31 December	**627,750**	2,875,306
Less: current portion (note c)	**—**	(140,529)
Non-current Portion	**627,750**	2,734,777
Available-for-sale financial assets represent the following:		
Listed investments in the PRC (note a)	**330,026**	425,314
Unlisted investments (note b)	**297,724**	2,449,992
	627,750	2,875,306

15 Available-for-sale financial assets (Continued)

Notes:

(a) Listed investments represent equity interests in entities which are principally engaged in the management of international and domestic transportation.

(b) Unlisted investments of RMB297,724,000 (2009: RMB301,972,000) mainly comprise equity interests in entities which are involved in container terminal operations in Tianjin of China mainland.

Unlisted investments as at 31 December 2009 also comprised investments in equity securities of the investee companies, which are involved in container terminal operations in Yantian and Dalian of China mainland, and the shareholders' loan advanced to an investee company with the nominal value of RMB388,422,000. The loan advanced to an investee company is unsecured, interest free and has no fixed terms of repayment. The investment in and loan advanced to investee company engaging terminal operations in Yantian have been reclassified as associate (note 12(a)).

(c) In June 2009, the Group entered into a share transfer agreement to dispose of its entire 8.13% interest in Dalian Port Container Co., Ltd with carrying amount of RMB140,529,000 at a consideration of RMB140,605,000 (equivalent to US$20,581,000). The pre-tax gain on the disposal was approximately RMB47,537,000 (equivalent to US$7,020,000). The disposal is completed in January 2010 and accordingly the available-for-sale financial asset was included in current assets as at 31 December 2009.

(d) Available-for-sale financial assets are denominated in the following currencies:

	2010 RMB'000	2009 RMB'000
RMB	627,586	2,875,141
Korean WON	164	165
	627,750	2,875,306

(e) None of the available-for-sale financial assets is either past due or impaired.

16 Deferred income tax assets/(liabilities)

Deferred income tax is calculated in full on temporary differences under the liability method using taxation rates ranging from 11% to 46% for the year (2009:10% to 46%).

The movement on the net deferred tax assets/(liabilities) is as follows:

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January	(928,210)	(728,965)	38,342	19,377
Currency translation differences	2,094	8	—	—
(Charged)/credited to consolidated income statement (note 35)	(649,812)	(144,258)	(4,574)	18,965
Credited/(charged) to other comprehensive income (note 35(e))	22,717	(54,995)	—	—
As at 31 December	(1,553,211)	(928,210)	33,768	38,342

Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2010, the Group had tax losses, which were not recognised as deferred tax assets, to carry forward, among which will expire as follows:

	2010	2009
	RMB'000	RMB'000
Year		
2010	—	213,862
2011	62,601	91,800
2012	140,596	227,649
2013	148,644	1,230,326
2014	8,114,235	9,006,883
2015	432,413	—
	8,898,489	10,770,520
Tax losses with no expiry date	131,960	154,577
	9,030,449	10,925,097

As at 31 December 2010, the Company had no tax loss carry forward. As at 31 December 2009, the Company had tax losses of RMB162,123,000, which were not recognised as deferred tax assets.

16 Deferred income tax assets/(liabilities) (Continued)

As at 31 December 2010, the unrecognised deferred income tax liabilities were RMB1,644,535,000 (2009: RMB1,220,800,000), relating to income tax and withholding tax that would be payable for undistributed profits of certain overseas subsidiaries, as the Directors consider that the timing for the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these overseas subsidiaries as at 31 December 2010 amounted to RMB6,991,097,000 (2009: RMB5,248,375,000).

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year was as follows:

Group

Deferred income tax liabilities

	Undistributed profits of subsidiaries, associates and jointly controlled entities RMB'000	Accelerated tax depreciation RMB'000	Fair value gain RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2009	(3,169,312)	(198,690)	(198,186)	(11,851)	(3,578,039)
Currency translation differences	91	107	4	14	216
Credited/(charged) to consolidated income statement	539,217	(82,466)	69,257	(1,683)	524,325
Credited/(charged) to other comprehensive income	—	—	32,326	(75,541)	(43,215)
As at 31 December 2009 and 1 January 2010	(2,630,004)	(281,049)	(96,599)	(89,061)	(3,096,713)
Currency translation differences	**4,940**	**2,345**	**—**	**(40)**	**7,245**
(Charged)/credited to consolidated income statement	**(349,625)**	**(92,729)**	**253**	**(1,131)**	**(443,232)**
Credited to other comprehensive income	**—**	**—**	**22,717**	**—**	**22,717**
As at 31 December 2010	**(2,974,689)**	**(371,433)**	**(73,629)**	**(90,232)**	**(3,509,983)**

16 Deferred income tax assets/(liabilities) (Continued)

Group (Continued)

Deferred income tax assets

	Staff benefit RMB'000	Tax loss RMB'000	Fair value loss RMB'000	Accelerated accounting depreciation RMB'000	Onerous contracts RMB'000	Accruals RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2009	353,087	19,240	956,803	139,954	1,194,029	61,955	124,006	2,849,074
Currency translation differences	(676)	—	—	—	—	—	468	(208)
(Charged)/credited to consolidated income statement	(77,584)	1,179,965	(909,503)	(19,331)	(897,524)	38,880	16,514	(668,583)
Credited to other comprehensive income	—	—	(11,780)	—	—	—	—	(11,780)
As at 31 December 2009 and 1 January 2010	274,827	1,199,205	35,520	120,623	296,505	100,835	140,988	2,168,503
Currency translation differences	**(1,870)**	**(2,830)**	**—**	**(35)**	**—**	**—**	**(416)**	**(5,151)**
(Charged)/credited to consolidated income statement	**(10,228)**	**(22,110)**	**(20,264)**	**(60,197)**	**(86,516)**	**44,564**	**(51,829)**	**(206,580)**
As at 31 December 2010	**262,729**	**1,174,265**	**15,256**	**60,391**	**209,989**	**145,399**	**88,743**	**1,956,772**

Company

Deferred income tax assets

	Staff benefit RMB'000
As at 1 January 2009	19,377
Charged to income statement	18,965
As at 31 December 2009 and 1 January 2010	38,342
Credited to income statement	**(4,574)**
As at 31 December 2010	**33,768**

16 Deferred income tax assets/(liabilities) (Continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance and a net basis. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	Group	
	2010	2009
	RMB'000	RMB'000
Deferred income tax assets		
Deferred income tax assets to be recovered after more than 12 months	1,451,576	1,565,586
Deferred income tax assets to be recovered within 12 months	505,196	563,573
	1,956,772	2,129,159
Deferred income tax liabilities		
Deferred income tax liabilities to be settled after more than 12 months	(3,318,676)	(2,952,465)
Deferred income tax liabilities to be settled within 12 months	(191,307)	(104,904)
	(3,509,983)	(3,057,369)
Deferred income tax liabilities (net)	(1,553,211)	(928,210)

17 Other non-current assets

Group	2010	2009
	RMB'000	RMB'000
Prepaid operating lease payments (note a)	426,940	488,291
Financial lease receivables (note b)	24,668	13,539
Prepayment for loan arrangement fee and other related costs (note 6(b))	96,374	—
	547,982	501,830
Less: current portion of financial lease receivables (note b)	(6,845)	(6,361)
	541,137	495,469

Notes:

(a) Prepaid operating lease payments

The amount represents the unamortised upfront concession fee payments in respect of the concession agreement with Piraeus Port Authority S.A. ("PPA") for the concession of Pier 2 and 3 of the Piraeus Port in Greece for a term of 35 years ("Concession"). The Concession commenced on 1 October 2009.

Notes to the Consolidated Financial Statements

17 Other non-current assets (Continued)

Notes: (Continued)

(b) Finance lease receivables

Group	Gross receivables RMB'000	Unearned finance income RMB'000	Provision RMB'000	Present value of minimum lease payment receivable RMB'000
As at 31 December 2010				
Not later than one year	9,999	(2,512)	(642)	6,845
Later than one year and not later than five years	20,386	(3,640)	(960)	15,786
Later than five years	2,309	(272)	—	2,037
	32,694	(6,424)	(1,602)	24,668
Less: Amount included under current assets (note 20)	(9,999)	2,512	642	(6,845)
	22,695	(3,912)	(960)	17,823
As at 31 December 2009				
Not later than one year	7,385	(1,024)	—	6,361
Later than one year and not later than five years	6,727	(1,256)	—	5,471
Later than five years	1,960	(253)	—	1,707
	16,072	(2,533)	—	13,539
Less: Amount included under current assets (note 20)	(7,385)	1,024	—	(6,361)
	8,687	(1,509)	—	7,178

As at 31 December 2010, the Group entered into 10 (2009: 12) finance lease contracts for leasing of certain containers and 1 (2009: Nil) finance lease contract for leasing of equipment and vehicle. The average term of the finance lease contracts is 5 years (2009: 5 years) for container leasing and 7.5 years for equipment and vehicle leasing. The cost of assets acquired for the purpose of letting under finance leases amounted to RMB61,766,000 as at 31 December 2010 (2009: RMB43,311,000), and unguaranteed residual values of assets leased under finance lease contracts are estimated at approximately RMB20,000 (2009: RMB41,000).

18 Bank deposits and cash and cash equivalents

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current portion				
Restricted bank deposits (note a)	447,610	75,293	—	—
Current portion				
Restricted bank deposits (note a)	697,838	24,596	—	—
Balances placed with COSCO Finance Co., Ltd ("COSCO Finance") (note b)	5,743,067	5,645,203	280,449	24,500
Bank balances and cash - unpledged	40,807,843	38,452,825	3,358,540	5,556,193
	47,248,748	44,122,624	3,638,989	5,580,693
Total bank deposits and cash and cash equivalents (note e)	47,696,358	44,197,917	3,638,989	5,580,693
Less: restricted bank deposits	(1,145,448)	(99,889)	—	—
Cash and cash equivalents	46,550,910	44,098,028	3,638,989	5,580,693

Notes:

(a) Restricted bank deposits mainly held as securities for borrowings and bank guarantees and facilities (note 26 (h) and note 30 (b)).

(b) Balances placed with COSCO Finance bear interest at prevailing market rates.

(c) Time deposits placed with PRC banks and COSCO Finance with original maturities over three months amounting to RMB14,601,330,000 (2009: RMB13,349,567,000) were treated as cash and cash equivalents as Directors consider those deposits are subject to an insignificant risk of changes in value and are kept for cash management purpose.

(d) As at 31 December 2010, exchange controls apply to certain bank balances and cash, which are held by the Group and the Company with bank accounts operating in the PRC, amounted to RMB34,089,418,000 and RMB3,638,989,000 (2009: RMB29,604,185,000 and RMB5,580,693,000) respectively.

18 Bank deposits and cash and cash equivalents (Continued)

Notes: (Continued)

(e) The carrying amounts of bank deposits and cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
US dollar	15,295,628	14,227,018	15,593	15,160
RMB	29,962,630	27,844,711	3,342,236	5,269,371
EURO	421,810	450,727	—	—
HK dollar	1,560,137	1,232,194	281,160	296,162
Other currencies	456,153	443,267	—	—
	47,696,358	44,197,917	3,638,989	5,580,693

(f) The effective interest rates on time deposits as at 31 December 2010 were in the range of 0.15% to 5.19% per annum (2009: 0.02% to 4.11% per annum); these deposits have a maturity day in the range of 2 days to 730 days (2009: 2 days to 730 days). The deposits earn interests at floating rates based on daily bank deposit rates.

19 Inventories

	Group	
	2010	2009
	RMB'000	RMB'000
Bunkers	1,722,219	1,568,382
Resaleable containers	89,755	67,058
Spare parts and consumable stores	129,143	109,527
Marine supplies and others	25,965	27,508
Merchandises	149,784	10,115
	2,116,866	1,782,590

20 Trade and other receivables

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables (note a)				
- third parties	5,583,250	4,494,047	—	—
- subsidiaries of COSCO	209,453	160,163	—	—
- jointly controlled entities	27,523	38,400	—	—
- associates	11,662	3,355	—	—
- other related companies	73,156	135,583	—	—
	5,905,044	4,831,548	—	—
Bills receivables (note a)	190,358	97,339	—	—
	6,095,402	4,928,887	—	—
Prepayments, deposits and other receivables				
- third parties (note b)	3,860,894	3,122,005	12,913	30,871
- subsidiaries of COSCO (note c)	354,561	367,421	—	—
- jointly controlled entities (note c)	303,846	61,791	—	—
- associates (note c)	203,301	42,823	—	—
- other related companies (note c)	162,392	198,293	—	—
	4,884,994	3,792,333	12,913	30,871
Current portion of financial lease receivables (note 17)	6,845	6,361	—	—
Total	10,987,241	8,727,581	12,913	30,871

20 Trade and other receivables (Continued)

Notes:

(a) The normal credit period granted to the trade receivables of the Group is generally within 90 days. Trade receivables primarily consisted of voyage-related and logistics receivables. As at 31 December 2010, the ageing analysis of trade and bills receivables is as follows:

	2010 RMB'000	2009 RMB'000
1-3 months	**5,844,177**	4,644,036
4-6 months	**148,271**	227,413
7-12 months	**88,758**	93,302
1-2 years	**63,544**	81,228
2-3 years	**36,210**	24,159
Over 3 years	**98,942**	97,850
Trade and bills receivables, gross	**6,279,902**	5,167,988
Less: impairment of		
1-3 months	**(35,276)**	(36,078)
4-6 months	**(1,225)**	(12,611)
7-12 months	**(4,023)**	(16,956)
1-2 years	**(19,851)**	(58,150)
2-3 years	**(28,693)**	(18,065)
Over 3 years	**(95,432)**	(97,241)
Provision for impairment	**(184,500)**	(239,101)
	6,095,402	4,928,887

As at 31 December 2010, the Group's trade and bills receivables of RMB5,124,646,000 (2009: RMB3,664,706,000) were considered fully collectible by management. Trade and bills receivables that were fully collectible mainly represent those due from customers with good credit history and low default rate.

20 Trade and other receivables (Continued)

Notes: (Continued)

As at 31 December 2010, trade receivables of RMB805,590,000 (2009: RMB1,081,165,000) were past due but were considered not impaired by management. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2010 RMB'000	2009 RMB'000
1-3 months	684,255	943,252
4-6 months	78,108	93,352
7-12 months	15,811	37,744
1-2 years	23,407	3,975
2-3 years	1,466	2,738
Over 3 years	2,543	104
	805,590	1,081,165

As at 31 December 2010, trade receivables of RMB349,666,000 (2009: RMB422,117,000) were considered as impaired by management, of which amounts of RMB184,500,000 (2009: RMB239,101,000) were provided for.

Movements on the provision for impairment of trade receivables are as follows:

	2010 RMB'000	2009 RMB'000
As at 1 January	239,101	327,693
Provision for receivable impairment	28,689	59,262
Receivables written off during the year as uncollectible	(23,729)	(65,476)
Reversal of provision	(56,741)	(86,405)
Currency translation differences	(2,820)	4,027
As at 31 December	184,500	239,101

The creation and release of provision for impaired receivables have been included in "other income, net" in the consolidated income statement (note 31). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Management considered that there is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, internationally dispersed.

20 Trade and other receivables (Continued)

Notes: (Continued)

(b) Prepayments, deposits and other receivables due from third parties

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments and deposits	2,071,814	1,552,395	—	—
Claims receivables	135,658	119,554	—	—
Other receivables less provision (note d)	1,653,422	1,450,056	12,913	30,871
	3,860,894	3,122,005	12,913	30,871

(c) The amounts due from related companies are unsecured, interest free and have no fixed terms of repayment.

(d) As at 31 December 2010, the Group's net other receivables of RMB1,653,422,000 (2009: RMB1,450,056,000) were considered fully collectible by management. As at 31 December 2010, the Group's other receivables of RMB153,795,000 (2009: RMB163,422,000) were impaired and full provision was made by management.

Movements on the provision for impairment of other receivables are as follows:

	2010	2009
	RMB'000	RMB'000
As at 1 January	163,422	232,772
Provision for receivable impairment	7,219	31,633
Receivables written off during the year as uncollectible	(819)	(6,698)
Reversal of provision	(16,075)	(94,262)
Currency translation differences	48	(23)
As at 31 December	153,795	163,422

(e) The carrying amount of trade and other receivables (excluding prepayments and deposits) are denominated in the following currencies:

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
US dollar	3,603,828	2,622,564	—	—
RMB	3,838,342	3,637,305	12,264	30,856
EURO	769,988	511,978	—	—
HK dollar	186,570	50,629	649	15
Other currencies	516,699	352,710	—	—
	8,915,427	7,175,186	12,913	30,871

(f) The carrying amounts of trade and other receivables (excluding prepayments and deposits) approximate their fair values.

(g) Management considered the maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

21 Derivative financial assets/liabilities

	Group			
	2010		2009	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
FFA (note a)				
– derivatives at fair value through profit or loss	—	61,024	1,011	142,082
Forward foreign exchange contracts				
– cash flow hedges (note b)	—	—	1,818	—
Interest rate swaps				
– fair value hedges (note c)	129,357	—	113,051	—
Total	129,357	61,024	115,880	142,082
Less: non-current portion				
FFA (note a)				
– derivatives at fair value through profit or loss	—	—	—	(55,192)
Interest rate swaps				
– fair value hedges (note c)	(129,357)	—	(113,051)	—
Total non-current portion	(129,357)	—	(113,051)	(55,192)
Current portion	—	61,024	2,829	86,890

Trading derivatives are classified as either current assets or liabilities. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months from the balance sheet date and as a current asset or liability if it is less than 12 months.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative financial assets in the consolidated balance sheet.

21 Derivative financial assets/liabilities (Continued)

Notes:

(a) FFA

As at 31 December 2010, the Group had outstanding forward freight agreements to buy approximately 365 (2009: 2,190) days of the various Baltic Index at various prices which expire through December 2011 (2009: December 2011).

As at 31 December 2010, the Group had no outstanding freight forward agreements to sell. As at 31 December 2009, the Group had outstanding freight forward agreements to sell approximately 45 days of the various Baltic Index at various prices which expired through March 2010.

(b) Forward foreign exchange contracts

As at 31 December 2010, the Group had no outstanding forward foreign exchange contracts.

As at 31 December 2009, the Group had two outstanding forward foreign exchange contracts with a bank to buy Japanese Yen of approximately 6,880,000,000 by United States dollar for settlements of the construction cost of one vessel which was denominated in Japanese Yen. In June 2010, these forward foreign exchange contracts were being knocked out as the Japanese Yen appreciated to a level that triggered the knock-out clause. Compensation of US$394,000 (equivalent to approximately RMB2,688,000) was received from the counterparty and credited to the consolidated income statement.

(c) Interest rate swap contracts

The notional principal amount of the related interest rate swap contracts amounted to US$200,000,000 (equivalent to approximately RMB1,324,540,000) (2009: US$200,000,000 (equivalent to approximately RMB1,365,640,000)) which were committed with interest rates ranging from 1.05% to 1.16% (2009: 1.05% to 1.16%) per annum above LIBOR. These interest rate swap contracts have been designated as a hedge of the fair value of the notes issued by the Group (note 26(c)(ii)).

22 Financial assets at fair value through profit or loss

	2010 RMB'000	2009 RMB'000
Listed securities, at market value		
– Equity securities - Hong Kong	—	4,670

Financial assets at fair value through profit or loss are presented within "operating activities" as part of changes in working capital in the cash flow statement (note 41(a)).

Changes in fair values of financial assets at fair value through profit or loss are recorded in other income, net in the income statement.

As at 31 December 2009, the fair value of all equity securities was based on their current bid prices in an active market.

23 Assets held for sale

As at 31 December 2010, COSCO Pacific intended to dispose of its 50% equity interest in Qingdao Cosport International Container Terminals Co., Ltd. ("Qingdao Cosport Terminal"), a jointly controlled entity. Accordingly, this investment was reclassified as asset held for sale as at 31 December 2010.

On 10 March 2011, COSCO Pacific entered into an agreement with Qingdao Port (Group) Co., Ltd., the other shareholder of Qingdao Cosport Terminal, to dispose of the aforesaid equity interest at a consideration of RMB184,000,000 (equivalent to approximately US$28,000,000). COSCO Pacific expects the disposal to be completed in the second quarter of 2011.

24 Share capital and equity linked benefits

(a) Share capital

	2010		2009	
	Number of shares (thousands)	Nominal value RMB'000	Number of shares (thousands)	Nominal value RMB'000
Registered, issued and fully paid				
H-Shares of RMB1.00 each	**2,580,600**	**2,580,600**	2,580,600	2,580,600
A-Shares of RMB1.00 each	**7,635,674**	**7,635,674**	7,635,674	7,635,674
As at 31 December	**10,216,274**	**10,216,274**	10,216,274	10,216,274

Notes:

As at 31 December 2010, the A-Shares rank pari passu, in all material respects, with H-Shares. Nevertheless, 159,724,067 A-Shares are subject to certain restrictions upon transfer as disclosed below:

Date of issue	Number of shares issued	Trading date	Note
26 June 2007	4,395,145,720	June 2010	(i)
26 June 2007	159,724,067	September 2012	(i)
19 December 2007	864,270,817	December 2010	(ii)
28 December 2007	53,666,307	December 2010	(iii)
	5,472,806,911		

24 Share capital and equity linked benefits (Continued)

(a) Share capital (Continued)

(i) On 26 June 2007, the Company issued 6,338,737,233 new A-Shares ("A-Shares Issue"), of which 4,554,869,787 A-Shares issued in exchange of the Domestic shares held by COSCO and 1,783,867,446 new A-Shares through public offering at RMB8.48 each on the Shanghai Stock Exchange. 4,554,869,787 A-Shares held by COSCO were subject to a lock-up period of 36 months from 26 June 2007.

During the period between 12 September 2008 and 11 September 2009, COSCO purchased 18,662,678 A-Shares of the Company from the public on the Shanghai Stock Exchange. Together with 159,724,067 restricted shares, COSCO transferred 178,386,745 shares to National Council for Social Security Fund in September 2009 in accordance with the PRC statutory requirements. The lock-up period for the 159,724,067 restricted shares automatically extended for three years from the transfer date.

(ii) On 19 December 2007, the Company issued 864,270,817 new A-Shares to COSCO to settle the purchase consideration for acquisition of the entire interest in COSCO Bulk Carrier Co., Ltd ("COSCO Bulk") and Qingdao Ocean Shipping Company and 41.52% equity interest in Shenzhen Ocean Shipping Co., Ltd. 864,270,817 A-Shares held by COSCO were subject to a lock-up period of 36 months from 19 December 2007.

(iii) On 28 December 2007, the Company also issued 432,666,307 new A-Shares at RMB30 per A-share through private placement to institutional investors (including COSCO) for cash of approximately RMB12,979,989,000. 53,666,307 A-Shares held by COSCO were subject to a lock-up period of 36 months from 28 December 2007.

(b) Share appreciation rights

The Group has adopted a cash-settled, share-based payment scheme (the "Plan") which was approved on 9 June 2005. The Plan provides for the grant of share appreciation rights ("SARs") to eligible participants as approved by the Company's board of Directors (collectively "the Grantees"). The Plan will remain in force unless otherwise cancelled or amended.

Under the Plan, the holders of SARs are entitled the rights to receive an amount in respect of the appreciation in market value of the Company's H-Shares from the date of grant of SARs and the date of exercise. No shares will be issued under the Plan and therefore the Company's equity interests will not be diluted as a result of the issuance of SARs. The initial grant of SARs was limited to 10% of the Company's H-Shares in issue at the date of grant. The maximum number of unexercised SARs permitted to be granted under the Plan is, upon their exercise, limited to 10% of the Company's H-Shares in issue at any time during each year. The maximum number of SARs granted to any eligible participant (including share appreciation rights granted prior to this Plan) is limited to 25% of the total number of SARs in issue at any time. Any further grant of SARs in excess of the above limits is subject to the approval of the Company's board of Directors.

The exercise period of all SARs commences after a vesting period and ends on a date which is not later than 10 years from the date of grant of the SARs. As of each of the last day of the third, fourth, fifth and sixth anniversary of the date of grant, the total number of SARs exercisable will not exceed 25%, 50%, 75% and 100%, respectively, of the total SARs granted to the respective eligible participants in 2005, 2006 and 2007, with an exercise price of HK$3.195, HK$3.588 and HK$9.540 respectively. The vesting periods of the SARs represented the periods from the date of grant to the date when the related SARs become exercisable. No SARs are granted since 1 January 2008.

24 Share capital and equity linked benefits (Continued)

(b) Share appreciation rights (Continued)

Movements in the number of SARs granted by the Company during the year ended 31 December 2010 are set out below.

			For the year ended 31 December 2010 Number of units of SARs					
Category	Note	Exercise price	Outstanding as at 1 January 2010	Transfer (to)/from other category during the year (note v)	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2010
Directors	(i)	HK$3.195	3,080,000	(450,000)	—	—	—	2,630,000
	(ii)	HK$3.588	4,100,000	(600,000)	—	—	—	3,500,000
	(iii)	HK$9.540	4,660,000	(580,000)	—	—	—	4,080,000
Supervisors	(i)	HK$3.195	825,000	—	—	—	—	825,000
	(ii)	HK$3.588	1,100,000	—	—	—	—	1,100,000
	(iii)	HK$9.540	1,540,000	—	—	—	—	1,540,000
Other continuous	(i)	HK$3.195	11,112,000	—	—	—	—	11,112,000
contract employees	(ii)	HK$3.588	13,700,000	—	—	—	(95,000)	13,605,000
	(iii)	HK$9.540	17,685,000	60,000	—	—	(85,000)	17,660,000
Others	(i),(iv)	HK$3.195	250,000	450,000	—	—	—	700,000
	(ii),(iv)	HK$3.588	330,000	600,000	—	—	—	930,000
	(iii),(iv)	HK$9.540	600,000	520,000	—	—	—	1,120,000
			58,982,000	—	—	—	(180,000)	58,802,000

Notes to the Consolidated Financial Statements

24 Share capital and equity linked benefits (Continued)

(b) Share appreciation rights (Continued)

Movements in the number of SARs granted by the Company during the year ended 31 December 2009 are set out below.

			For the year ended 31 December 2009 Number of units of SARs					
Category	Note	Exercise price	Outstanding as at 1 January 2009	Transfer (to)/from other category during the year (note v)	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2009
Directors	(i)	HK$3.195	3,080,000	—	—	—	—	3,080,000
	(ii)	HK$3.588	4,100,000	—	—	—	—	4,100,000
	(iii)	HK$9.540	4,660,000	—	—	—	—	4,660,000
Supervisors	(i)	HK$3.195	1,050,000	(225,000)	—	—	—	825,000
	(ii)	HK$3.588	1,400,000	(300,000)	—	—	—	1,100,000
	(iii)	HK$9.540	1,820,000	(280,000)	—	—	—	1,540,000
Other continuous	(i)	HK$3.195	9,255,750	1,956,250	—	—	(100,000)	11,112,000
contract employees	(ii)	HK$3.588	11,830,000	2,000,000	—	—	(130,000)	13,700,000
	(iii)	HK$9.540	16,025,000	1,695,000	—	—	(35,000)	17,685,000
Others	(i),(iv)	HK$3.195	1,981,250	(1,731,250)	—	—	—	250,000
	(ii),(iv)	HK$3.588	2,030,000	(1,700,000)	—	—	—	330,000
	(iii),(iv)	HK$9.540	2,015,000	(1,415,000)	—	—	—	600,000
			59,247,000	—	—	—	(265,000)	58,982,000

24 Share capital and equity linked benefits (Continued)

(b) Share appreciation rights (Continued)

Notes:

(i) The SARs were granted by the Company on 16 December 2005 and are exercisable at any time between 16 December 2007 to 15 December 2015 ("2005 SARs").

(ii) The SARs were granted by the Company on 5 October 2006 and are exercisable at any time between 5 October 2008 to 4 October 2016 ("2006 SARs").

(iii) The SARs were granted by the Company on 4 June 2007 and are exercisable at any time between 4 June 2009 and 3 June 2017 ("2007 SARs").

(iv) The SARs were granted to certain senior management of COSCO by the Company and are classified in the category of "Others".

(v) In 2010, one director resigned. His SARs were transferred from the category of "Directors" to the category of "Others".

In 2010, one employee of COSCO became the continuous contract employee of the Company, his SARs were transferred from the category of "Others" to the category of "Other continuous contract employees".

In 2009, one supervisor was redesignated as an employee of a subsidiary. His SARs were transferred from the category of "Supervisors" to the category of "Other continuous contract employees."

In 2009, 24 senior management of COSCO became the continuous contract employees of the Company, their SARs were transferred from the category of "Others" to the category of "Other continuous contract employees".

In 2009, the SARs granted to 4 senior management of the Group were reclassified from the category of "Other continuous contract employees" to the category of "Others" along with the employment and position change.

The fair values of 2005 SARs, 2006 SARs and 2007 SARs as at 31 December 2010 as determined using the binomial valuation model ranged from HK$4.47 per unit to HK$5.94 per unit. The significant inputs into the model were spot price of HK$8.24 as at 31 December 2010, vesting period, volatility of the underlying stock, risk-free interest rate, forfeiture rate, dividend yield and sub-optional exercise factor. The expected volatility of 71.18% for 2005 SARs and 68.39% for 2006 SARs and 2007 SARs are estimated based on past H-Shares share prices of the Company at year end.

The amount, that was recognised in the consolidated income statement and included in staff costs for the year in relation to the above SARs transactions, was a credit of RMB37,387,000 (2009: a debit of RMB180,899,000).

As at 31 December 2010, the total carrying amount of the liabilities arising from SARs transactions included in other payables in the consolidated balance sheet amounted to RMB274,306,000 (2009: RMB311,693,000) and the total intrinsic value of the exercisable SARs was RMB114,291,000 (2009: RMB109,726,000).

24 Share capital and equity linked benefits (Continued)

(c) Share options of a subsidiary

The Group's subsidiary, COSCO Pacific, operates share option schemes whereby options are granted to eligible employees and directors or any participants (as defined in the relevant share option schemes) of the Group, to subscribe for its shares.

Movements of the share options granted by COSCO Pacific during the year ended 31 December 2010 and 2009 are set out below:

			For the year ended 31 December 2010					
			Number of share options					
Category	Note	Exercise price	Outstanding as at 1 January 2010	Transfer (to)/from other categories during the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2010
Directors	(i),(iii)	13.75	5,000,000	(1,000,000)	—	—	—	4,000,000
Supervisors	(i),(iii)	13.75	1,000,000	—	—	—	—	1,000,000
Other continuous	(i),(ii)	9.54	2,319,000	—	—	—	—	2,319,000
contract employees	(i),(iii)	13.75	15,182,000	(500,000)	—	—	(350,000)	14,332,000
	(i),(iv)	19.30	15,710,000	(340,000)	—	—	(450,000)	14,920,000
Others	(i),(ii)	9.54	50,000	—	—	—	—	50,000
	(i),(iii)	13.75	1,790,000	1,500,000	—	—	(810,000)	2,480,000
	(i),(iv)	19.30	660,000	340,000	—	—	(660,000)	340,000
			41,711,000	—	—	—	(2,270,000)	39,441,000

24 Share capital and equity linked benefits (Continued)

(c) Share options of a subsidiary (Continued)

Category	Note	Exercise price	For the year ended 31 December 2009 Number of share options Outstanding as at 1 January 2009	Transfer (to)/from other categories during the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2009
Directors	(i),(iii)	13.75	5,000,000	—	—	—	—	5,000,000
Supervisors	(i),(iii)	13.75	1,000,000	—	—	—	—	1,000,000
Other continuous	(i),(ii)	9.54	2,411,000	—	—	(20,000)	(72,000)	2,319,000
contract employees	(i),(iii)	13.75	16,322,000	(670,000)	—	—	(470,000)	15,182,000
	(i),(iv)	19.30	16,880,000	(660,000)	—	—	(510,000)	15,710,000
Others	(i),(ii)	9.54	50,000	—	—	—	—	50,000
	(i),(iii)	13.75	1,120,000	670,000	—	—	—	1,790,000
	(i),(iv)	19.30	—	660,000	—	—	—	660,000
			42,783,000	—	—	(20,000)	(1,052,000)	41,711,000

Notes to the Consolidated Financial Statements

24 Share capital and equity linked benefits (Continued)

(c) Share options of a subsidiary (Continued)

Notes:

(i) All the outstanding options were vested and exercisable as at 31 December 2010 and 2009. COSCO Pacific has no legal or constructive obligation to repurchase or settle the options in cash.

(ii) The share options were granted during the period from 28 October 2003 to 6 November 2003 under the 2003 Share Option Scheme at an exercise price of HK$9.54. The options are exercisable at any time within ten years from the date on which an offer is accepted or deemed to be accepted by the grantee under the 2003 Share Option Scheme from 28 October 2003 to 6 November 2003.

(iii) The share options were granted during the period from 25 November 2004 to 16 December 2004 under the 2003 Share Option Scheme at an exercise price of HK$13.75. The options are exercisable at any time within ten years from the date on which an offer is accepted or deemed to be accepted by the grantee under the 2003 Share Option Scheme from 25 November 2004 to 16 December 2004.

(iv) The share options were granted during the period from 17 April 2007 to 19 April 2007 under the 2003 Share Option Scheme at an exercise price of HK$19.30. The options are exercisable at any time within ten years from the date on which an offer is accepted or deemed to be accepted by the grantee under the 2003 Share Option Scheme from 17 April 2007 to 19 April 2007.

(v) Share options outstanding at end of year have the following expiry dates and exercise prices:

Expiry date	Exercise price HK$	Number of share options 2010	2009
28 October 2013 to 6 November 2013	9.54	**2,369,000**	2,369,000
25 November 2014 to 16 December 2014	13.75	**21,812,000**	22,972,000
17 April 2017 to 19 April 2017	19.30	**15,260,000**	16,370,000
		39,441,000	41,711,000

(vi) In 2009, the exercise of 20,000 share options yielded the proceeds, net of transaction costs, of RMB190,800.

(vii) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2010 Average exercise price per share HK$	2010 Number of share options	2009 Average exercise price per share HK$	2009 Number of share options
As at 1 January	**15.69**	**41,711,000**	15.70	42,783,000
Exercised	**—**	**—**	9.54	(20,000)
Lapsed	**16.46**	**(2,270,000)**	16.15	(1,052,000)
As at 31 December	**15.64**	**39,441,000**	15.69	41,711,000

The weighted average closing price of the COSCO Pacific's shares on the dates when the share options were exercised in 2009 was HK$11.40 per share.

25 Reserves

Group

	Capital reserve RMB'000	Hedging reserve RMB'000	Other reserves RMB'000	Statutory reserve fund RMB'000	Investment revaluation reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at 1 January 2010	37,884,239	6,629	30,247	567,658	1,047,738	(5,571,390)	(2,189,052)	31,776,069
Comprehensive income								
Profit for the year	—	—	—	—	—	—	6,858,465	6,858,465
Other comprehensive income								
Available-for-sale financial assets								
– fair value losses, net of tax	—	—	—	—	(74,444)	—	—	(74,444)
– transferred to consolidated income statement upon sale	—	—	—	—	(24,339)	—	—	(24,339)
Cash flow hedges								
– transferred to consolidated income statement	—	(1,801)	—	—	—	—	—	(1,801)
Share of other comprehensive income of jointly controlled entities and associates	—	(2,001)	(523)	—	(25,009)	(10,909)	—	(38,442)
Reclassification of an available-for-sale financial asset to an associate (note 12(a))								
– release of investment revaluation reserve	—	—	—	—	(685,657)	—	—	(685,657)
– share of reserves	—	—	—	—	—	—	139,967	139,967
Currency translation differences	—	—	—	—	—	(1,363,839)	—	(1,363,839)
Total other comprehensive income	—	(3,802)	(523)	—	(809,449)	(1,374,748)	139,967	(2,048,555)
Total comprehensive income for the year ended 31 December 2010	—	(3,802)	(523)	—	(809,449)	(1,374,748)	6,998,432	4,809,910

25 Reserves (Continued)

Group (Continued)

	Capital reserve RMB'000	Hedging reserve RMB'000	Other reserves RMB'000	Statutory reserve fund RMB'000	Investment revaluation reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
Transactions with owners:								
Acquisition of additional interest in a subsidiary (note g(i))	—	—	—	—	—	—	(342,096)	(342,096)
Placement of shares by a subsidiary, net of issuance expense (note g(ii))	—	542	(481,017)	—	(137,671)	(68,155)	750,099	63,798
Transfer to statutory reserve fund (note a)	—	—	—	80,761	—	—	(80,761)	—
Share of other movement of an associate	—	—	5,794	—	—	—	(21,196)	(15,402)
Total transactions with owners	—	542	(475,223)	80,761	(137,671)	(68,155)	306,046	(293,700)
As at 31 December 2010	37,884,239	3,369	(445,499)	648,419	100,618	(7,014,293)	5,115,426	36,292,279
Representing:								
Capital and reserves	37,884,239	3,369	(445,499)	648,419	100,618	(7,014,293)	4,195,961	35,372,814
2010 final dividend proposed	—	—	—	—	—	—	919,465	919,465
As at 31 December 2010	37,884,239	3,369	(445,499)	648,419	100,618	(7,014,293)	5,115,426	36,292,279

25 Reserves (Continued)

Group (Continued)

	Capital reserve RMB'000	Hedging reserve RMB'000	Other reserves RMB'000	Statutory reserve fund RMB'000	Investment revaluation reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at 1 January 2009, as previously reported	38,005,614	(10,234)	5,460	567,656	1,069,061	(5,670,051)	8,307,876	42,275,382
Adoption of merger accounting (note f)	(133,980)	—	—	—	(73,443)	31,113	(171,762)	(348,072)
As at 1 January 2009	37,871,634	(10,234)	5,460	567,656	995,618	(5,638,938)	8,136,114	41,927,310
Comprehensive income								
Loss for the year	—	—	—	—	—	—	(7,467,812)	(7,467,812)
Other comprehensive income								
Available-for-sale financial assets								
– fair value gains, net of tax	—	—	—	—	87,698	—	—	87,698
– transferred to consolidated income statement upon sale	—	—	—	—	(60,951)	—	—	(60,951)
Cash flow hedges								
– fair value gains, net of tax	—	18,199	—	—	—	—	—	18,199
Share of other comprehensive income of jointly controlled entities and associates	—	(1,326)	23,899	—	21,450	17,243	(819)	60,447
Currency translation differences	—	—	—	—	—	47,732	—	47,732
Other movement	—	—	—	—	—	—	152,313	152,313
Total other comprehensive income	—	16,873	23,899	—	48,197	64,975	151,494	305,438
Total comprehensive income for the year ended 31 December 2009	—	16,873	23,899	—	48,197	64,975	(7,316,318)	(7,162,374)

Notes to the Consolidated Financial Statements

25 Reserves (Continued)

Group (Continued)

	Capital reserve RMB'000	Hedging reserve RMB'000	Other reserves RMB'000	Statutory reserve fund RMB'000	Investment revaluation reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
Transactions with owners:								
Distributions (note 37(a))	—	—	—	—	—	—	(233,549)	(233,549)
2008 final dividend	—	—	—	—	—	—	(2,962,720)	(2,962,720)
Acquisition of additional interests in subsidiaries	12,605	(10)	888	2	3,923	2,573	(11,549)	8,432
Acquisition from non-controlling shareholders	—	—	—	—	—	—	(1,030)	(1,030)
Contribution from then shareholder of a subsidiary (note e)	—	—	—	—	—	—	200,000	200,000
Total transactions with owners	12,605	(10)	888	2	3,923	2,573	(3,008,848)	(2,988,867)
As at 31 December 2009	37,884,239	6,629	30,247	567,658	1,047,738	(5,571,390)	(2,189,052)	31,776,069
Representing:								
Capital and reserves	37,884,239	6,629	30,247	567,658	1,047,738	(5,571,390)	(2,189,052)	31,776,069
2009 final dividend proposed	—	—	—	—	—	—	—	—
As at 31 December 2009	37,884,239	6,629	30,247	567,658	1,047,738	(5,571,390)	(2,189,052)	31,776,069

25 Reserves (Continued)

Company

	Capital reserve RMB'000	Statutory reserve fund RMB'000	Retained profits RMB'000	Exchange reserve RMB'000	Total RMB'000
As at 1 January 2010	39,134,574	567,656	2,125,949	(3,342,792)	38,485,387
Profit for the year	—	—	807,606	—	807,606
Transfer to statutory reserve fund (note a)	—	80,761	(80,761)	—	—
As at 31 December 2010	39,134,574	648,417	2,852,794	(3,342,792)	39,292,993
Representing:					
Capital and reserves	39,134,574	648,417	1,933,329	(3,342,792)	38,373,528
2010 final dividend proposed	—	—	919,465	—	919,465
As at 31 December 2010	39,134,574	648,417	2,852,794	(3,342,792)	39,292,993

	Capital reserve RMB'000	Statutory reserve fund RMB'000	Retained profits RMB'000	Exchange reserve RMB'000	Total RMB'000
As at 1 January 2009	39,134,574	567,656	5,218,490	(3,342,792)	41,577,928
Loss for the year	—	—	(129,821)	—	(129,821)
2008 final dividend	—	—	(2,962,720)	—	(2,962,720)
As at 31 December 2009	39,134,574	567,656	2,125,949	(3,342,792)	38,485,387
Representing:					
Capital and reserves	39,134,574	567,656	2,125,949	(3,342,792)	38,485,387
2009 final dividend proposed	—	—	—	—	—
As at 31 December 2009	39,134,574	567,656	2,125,949	(3,342,792)	38,485,387

25 Reserves (Continued)

Notes:

(a) Statutory reserve fund

In accordance with the PRC Company Law and the Company's articles of association, the Company is required to allocate 10% of net profit of the Company, as determined in accordance with the China Accounting Standards ("CAS"), to the statutory reserve fund until such statutory reserve fund reaches 50% of the registered capital of the Company. The appropriation to the statutory reserve fund must be made before any distribution of dividends to equity holders. The statutory reserve fund can be used to offset previous year's losses, if any, and part of the statutory reserve fund can be capitalised as the Company's share capital provided that the amount of such statutory reserve fund remaining after the capitalisation shall not be less than 25% of the share capital of the Company.

For the year ended 31 December 2010, the Company appropriated RMB80,761,000, being 10% of its net profit to the statutory reserve fund (2009: Nil).

(b) In accordance with the articles of association of the Company, the profit available for appropriation by the Company for the purpose of dividend payments is based on the lesser of (i) the net profit determined in accordance with the CAS; and (ii) the net profit determined in accordance with HKFRSs. Profit distribution is made after the appropriation to statutory reserve fund and recovery of previous years' losses.

(c) Other reserves of the Group as at 31 December 2010 represented capital reserve and other reserves of jointly controlled entities and associates.

(d) Capital reserve mainly represents the capitalisation of the reserves of the acquired subsidiaries from the parent company upon the incorporation of the Company on 3 March 2005 and the share premium (net with share issuance expenses) arising upon issuance of the Company's H-shares and A-shares in 2005 and 2007.

(e) During the year ended 31 December 2009, COSCO Shanghai's capital was increased by RMB200,000,000 which was contributed by COSCO, its then shareholder.

25 Reserves (Continued)

Notes: (Continued)

(f) Business combinations under common control

Statements of adjustments for common control combinations of the Acquired Subsidiaries on the consolidated balance sheets as at 31 December 2009 and the Group's result for that year then ended were as follows:

	As previously reported RMB'000	Acquired Subsidiaries RMB'000		Adjustments RMB'000	As restated RMB'000
Year ended 31 December 2009					
Revenues	67,639,110	1,550,972	(i)	(727,568)	68,462,514
Loss before income tax	(6,212,514)	(986)		—	(6,213,500)
Income tax expenses	(435,394)	(15,192)		—	(450,586)
Loss for the year	(6,647,908)	(16,178)		—	(6,664,086)

	As previously reported RMB'000	Acquired Subsidiaries RMB'000		Adjustments RMB'000	As restated RMB'000
As at 31 December 2009					
ASSETS					
Non-current assets	81,257,522	1,616,291	(ii)	(229,768)	82,644,045
Current assets	54,737,313	538,975	(iii)	(179,030)	55,097,258
Total assets	135,994,835	2,155,266		(408,798)	137,741,303
EQUITY					
Capital and reserves					
Share capital	10,216,274	321,500	(ii)	(321,500)	10,216,274
Reserves	32,130,593	(445,269)	(ii)	90,745	31,776,069
	42,346,867	(123,769)		(230,755)	41,992,343
Non-controlling interests	10,575,693	15,792	(ii)	987	10,592,472
Total equity	52,922,560	(107,977)		(229,768)	52,584,815
LIABILITIES					
Non-current liabilities	56,126,618	1,601,735		—	57,728,353
Current liabilities	26,945,657	661,508	(iii)	(179,030)	27,428,135
Total liabilities	83,072,275	2,263,243		(179,030)	85,156,488
Total equity and liabilities	135,994,835	2,155,266		(408,798)	137,741,303

25 Reserves (Continued)

Notes: (Continued)

(f) Business combinations under common control (Continued)

Notes:

(i) Adjustments to eliminate the inter-group transactions for the year ended 31 December 2009.

(ii) Adjustments to eliminate the investment costs, share capitals of the Acquired Subsidiaries against reserves and non-controlling interests.

(iii) Adjustments to eliminate the inter-group balances as at 31 December 2009.

No other significant adjustments were made to the net assets and net profit of any entities or businesses as a result of the common control combinations to achieve consistency of accounting policies.

(g) Transactions with non-controlling interests

(i) In March 2010, the Company completed the acquisition of 49% equity interest in COSCO Logistics from COSCO Pacific Logistics Company Limited ("COSCO Pacific Logistics"), a non-wholly owned subsidiary of the Company, at a cash consideration of RMB2,000,000,000 plus a special distribution by COSCO Logistics to COSCO Pacific Logistics of RMB143,200,000. COSCO Logistics has become a wholly owned subsidiary of the Company. As a result of the transaction, there was an increase in non-controlling interests of RMB239,567,000 and a decrease in equity attributable to equity holders of the Company of RMB342,096,000.

(ii) In April 2010, COSCO Pacific issued 449,000,000 new shares at HK$10.4 per share through placing and recorded net proceeds of approximately US$584,122,000 (equivalent to approximately RMB3,955,386,000). The proceeds raised were mainly used for acquisitions and investments such as Sigma and Wattrus, capital expenditure, general corporate purposes, as well as to further strengthen the balance sheet and liquidity position of COSCO Pacific. After the placement, the shareholding of the Group, decreased from 51.20% at 31 December 2009 to 42.72% at 31 December 2010. As a result of the transaction, there was an increase in non-controlling interests of RMB3,891,588,000 and an increase in equity attributable to equity holders of the Company of RMB63,798,000.

26 Long-term borrowings

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans				
– secured (note h)	13,220,105	12,044,567	—	—
– unsecured	28,807,947	31,695,047	—	—
Loans from COSCO Finance				
– secured (note h)	25,559	34,084	—	—
– unsecured	—	600,000	—	—
Other loans				
– secured (note h)	89,155	119,712	—	—
– unsecured	314	1,567	—	—
Finance lease obligations (note i)	115,301	129,995	—	—
Notes (note c)	16,869,312	12,022,077	14,754,140	9,870,000
Total long-term borrowings	59,127,693	56,647,049	14,754,140	9,870,000
Current portion of long-term borrowings	(4,200,211)	(3,529,595)	—	—
	54,927,482	53,117,454	14,754,140	9,870,000

Notes:

(a) The long-term borrowings are analysed as follows:

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Wholly repayable within five years				
– Bank loans	31,384,973	32,797,402	—	—
– Loans from COSCO Finance	25,559	634,084	—	—
– Other loans	89,469	121,279	—	—
– Notes	12,015,172	12,022,077	9,900,000	9,870,000
	43,515,173	45,574,842	9,900,000	9,870,000
Not wholly repayable within five years				
– Bank loans	10,643,079	10,942,212	—	—
– Finance lease obligations	115,301	129,995	—	—
– Notes	4,854,140	—	4,854,140	—
	15,612,520	11,072,207	4,854,140	—
	59,127,693	56,647,049	14,754,140	9,870,000

26 Long-term borrowings (Continued)

Notes: (Continued)

(b) As at 31 December 2010, the long-term borrowings were repayable as follows:

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans				
– within one year	4,090,733	3,482,051	—	—
– in the second year	21,212,648	5,056,893	—	—
– in the third to fifth years	9,976,448	28,658,434	—	—
– after the fifth year	6,748,223	6,542,236	—	—
	42,028,052	43,739,614	—	—
Loans from COSCO Finance				
– within one year	8,526	8,528	—	—
– in the second year	8,527	422,680	—	—
– in the third to fifth years	8,506	202,876	—	—
	25,559	634,084	—	—
Other loans				
– within one year	89,270	27,900	—	—
– in the second year	199	91,921	—	—
– in the third to fifth years	—	1,458	—	—
	89,469	121,279	—	—
Finance lease obligations				
– within one year	11,682	11,116	—	—
– in the second year	12,656	12,044	—	—
– in the third to fifth years	44,631	42,483	—	—
– after the fifth year	46,332	64,352	—	—
	115,301	129,995	—	—
Notes				
– in the third to fifth years	12,015,172	12,022,077	9,900,000	9,870,000
– after the fifth year	4,854,140	—	4,854,140	—
	16,869,312	12,022,077	14,754,140	9,870,000
	59,127,693	56,647,049	14,754,140	9,870,000

26 Long-term borrowings (Continued)

Notes: (Continued)

(c) Details of the notes as at 31 December 2010 are as follows:

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Principal amount	17,483,100	12,483,100	15,000,000	10,000,000
Discount on issue	(15,718)	(15,718)	—	—
Notes issuance cost	(315,789)	(164,899)	(300,890)	(150,000)
Proceeds received	17,151,593	12,302,483	14,699,110	9,850,000
Currency translation differences	(490,170)	(429,282)	—	—
Accumulated amortised amounts of				
– discount on issue	9,828	8,979	—	—
– notes issuance cost	64,342	28,508	55,030	20,000
Effect of fair value hedge	133,719	111,389	—	—
	16,869,312	12,022,077	14,754,140	9,870,000

(i) Notes issued by the Company

Notes with principal amount of RMB10,000,000,000 were issued by the Company to investors on 21 April 2009. The notes carried a fixed interest yield of 3.77% per annum and were issued at a price equal to the principal amount. The notes bear interest from 22 April 2009, payable annually in arrear on 22 April of each year (in case of statutory holiday or day off, payment will be postponed till the first working day after it), commencing on 22 April 2010.The notes will mature on 22 April 2014 at their principal amount.

Notes with principal amount of RMB5,000,000,000 were issued by the Company to investors on 3 September 2010. The notes carried a fixed interest yield of 4.35% per annum and were issued at a price equal to the principal amount. The notes bear interest from 6 September 2010, payable annually in arrear on 6 September of each year (in case of statutory holiday or day off, payment will be postponed till the first working day after it), commencing on 6 September 2010.The notes will mature on 5 September 2020 at their principal amount.

(ii) Notes issued by COSCO Pacific

Notes with principal amount of US$300,000,000 (equivalent to approximately RMB2,483,100,000) were issued by a subsidiary of COSCO Pacific to investors on 3 October 2003. The notes carried a fixed interest yield of 5.96% per annum and were issued at a price of 99.367 per cent of their principal amount with a fixed coupon rate of 5.875% per annum, resulting in a discount on issue of US$1,899,000 (equivalent to approximately RMB15,718,000). The notes bear interest from 3 October 2003, payable semi-annually in arrear on 3 April and 3 October of each year, commencing on 3 April 2004. The notes are guaranteed unconditionally and irrevocably by COSCO Pacific and listed on Singapore Exchange Securities Trading Limited.

Unless previously redeemed or repurchased by COSCO Pacific, the notes will mature on 3 October 2013 at their principal amount. The notes are subject to redemption in whole, at their principal amount, together with accrued interest, at the option of COSCO Pacific at any time in the event of certain changes affecting the taxes of certain jurisdictions.

26 Long-term borrowings (Continued)

Notes: (Continued)

(d) The exposure of the Group's long-term borrowings to interest rate changes and the contractual repricing dates at balance sheet date are as follows:

	Less than one year RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2010				
Total borrowings	41,748,024	12,469,309	4,910,360	59,127,693
Effect of interest rate swaps	—	(1,324,540)	—	(1,324,540)
	41,748,024	11,144,769	4,910,360	57,803,153
As at 31 December 2009				
Total borrowings	41,968,659	14,614,041	64,349	56,647,049
Effect of interest rate swaps	—	(1,365,640)	—	(1,365,640)
	41,968,659	13,248,401	64,349	55,281,409

(e) The effective interest rates of long-term borrowings as at 31 December 2010 were as follows:

	2010			
	US$	RMB	EURO	SGD
Bank loans	0.8% to 3.5%	4.9% to 6.2%	2.2%	2.3%
Loans from COSCO Finance	—	5.2% to 5.4%	—	—
Other loans	1.6%	—	1.5%	2.5% to 4.3%
Finance lease obligations	8.3%	—	—	—
Notes	5.9%	3.8% to 4.4%	—	—

	2009			
	US$	RMB	EURO	SGD
Bank loans	0.7% to 2.5%	4.9% to 6.1%	—	2.3%
Loans from COSCO Finance	—	5.2% to 5.4%	—	—
Other loans	3.0%	—	1.5%	2.5% to 4.3%
Finance lease obligations	8.3%	—	—	—
Notes	5.9%	3.8%	—	—

26 Long-term borrowings (Continued)

Notes: (Continued)

(f) The carrying amounts and fair values of the long-term borrowings are as follows:

	Carrying amounts		Fair values	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank loans	**42,028,052**	43,739,614	**41,609,366**	43,761,566
Loans from COSCO Finance	**25,559**	634,084	**25,559**	634,084
Other loans	**89,469**	121,279	**89,469**	121,279
Finance lease obligations	**115,301**	129,995	**115,301**	129,995
Notes	**16,869,312**	12,022,077	**16,627,700**	11,922,016
	59,127,693	56,647,049	**58,467,395**	56,568,940

The fair values are based on cash flows discounted by respective rates as set out in note 26(e) above.

(g) The carrying amounts of the long-term borrowings are denominated in the following currencies:

	2010	2009
	RMB'000	RMB'000
US dollar	**39,575,089**	41,430,045
RMB	**19,127,214**	15,215,406
EURO	**425,242**	1,457
Singapore dollar	**148**	141
	59,127,693	56,647,049

(h) The secured bank loans, other loans and loans from COSCO Finance as at 31 December 2010 are secured, inter alia, by one or more of the following:

(i) First legal mortgage over certain property, plant and equipment with aggregate net book value of RMB17,133,829,000 (2009: RMB16,919,986,000) (notes 6(b) and 6(c));

(ii) Two vessels with aggregate net book value of RMB757,176,000 (2009: RMB814,434,000) under Vessel Financing Lease Arrangements (note 6(f));

(iii) Assignments of the charter, rental income and earnings and rights, requisition compensation, insurance relating to certain container vessels, dry bulk vessels and vessels under construction;

(iv) Shares of certain subsidiaries;

(v) Bank accounts of certain subsidiaries (note 18(a)).

Under the circumstances that the terms and conditions as included in the loan agreement of a subsidiary of COSCO Pacific were not met, bank balances of RMB83,638,000 (equivalent to approximately US$12,629,000) (2009: Nil) would be pledged as securities for the secured bank loan of RMB425,045,000 (equivalent to approximately US$64,180,000) (2009: Nil). As at 31 December 2010, there was no violation of the terms and conditions of this loan and thus such bank balances were not pledged.

26 Long-term borrowings (Continued)

Notes: (Continued)

(i) The Group entered into a finance lease arrangement pursuant to which the Group has an option to purchase the vessel at a consideration of US$7,200,000 (equivalent to approximately RMB47,683,440) prior to the expiry of the lease.

The finance lease payable is repayable in various instalments up to 2016. Interest is charged on the outstanding balance at 8.3% per annum.

As at 31 December 2010, the Group's finance lease payable was repayable as follows:

	2010 RMB'000	2009 RMB'000
Finance lease payable - minimum lease payments:		
– within one year	21,272	21,932
– in the second to fifth years	85,088	87,729
– after the fifth year	50,187	73,676
	156,547	183,337
Future finance charges on finance lease	(41,246)	(53,342)
Present value of finance lease payable	115,301	129,995

The present value of the finance lease payable is as follows:

	2010 RMB'000	2009 RMB'000
– within one year	11,682	11,116
– in the second to fifth years	57,287	54,527
– after the fifth year	46,332	64,352
	115,301	129,995

27 Provisions and other liabilities

	Group					Company
	Provision for one-off housing subsidies RMB'000 (note a)	Retirement benefit obligations RMB'000 (note b)	Provision for onerous contracts RMB'000 (note c,4(v))	Deferred income and others RMB'000	Total RMB'000	Provision for one-off housing subsidies RMB'000
For the year ended 31 December 2010						
As at 1 January 2010	266,194	1,304,570	1,419,030	31,678	3,021,472	—
Utilised during the year	(23,660)	(192,520)	(1,248,292)	(15,692)	(1,480,164)	—
Unused amounts reversed	(55,973)	—	(167,233)	—	(223,206)	—
Provisions for the year	4,926	50,796	1,176,814	26,878	1,259,414	—
Currency translation differences	—	(979)	(8,696)	(645)	(10,320)	—
As at 31 December 2010	191,487	1,161,867	1,171,623	42,219	2,567,196	—
Less: current portion of provisions and other liabilities	—	(85,315)	(1,171,623)	(7,375)	(1,264,313)	—
Non-current portion of provisions and other liabilities	191,487	1,076,552	—	34,844	1,302,883	—
For the year ended 31 December 2009						
As at 1 January 2009	323,420	1,435,572	5,235,690	63,797	7,058,479	4,009
Utilised during the year	(37,767)	(171,385)	(4,165,589)	(43,849)	(4,418,590)	(4,009)
Unused amounts reversed	(20,324)	(21,625)	(1,069,901)	—	(1,111,850)	—
Provisions for the year	865	62,026	1,419,125	11,730	1,493,746	—
Currency translation differences	—	(18)	(295)	—	(313)	—
As at 31 December 2009	266,194	1,304,570	1,419,030	31,678	3,021,472	—
Less: current portion of provisions and other liabilities	(3,255)	(88,025)	(1,416,989)	(14,865)	(1,523,134)	—
Non-current portion of provisions and other liabilities	262,939	1,216,545	2,041	16,813	1,498,338	—

27 Provisions and other liabilities

Notes:

(a) The Group has provided one-off cash housing subsidies based on PRC regulations to those eligible employees who have not been allocated with staff quarters at all or who have not been allocated with quarters up to the prescribed standards before 31 December 1998 when the staff quarter allocation schemes were terminated. The subsidies are determined based on a staff member's years of service, position and other criteria. In addition, monthly cash housing allowances should be made to other employees following the withdrawal of allocation of staff quarters. The specific timetable and procedures of implementation of these policies are to be determined by the Group and approved by individual provincial or municipal governments based on the particular situation of the province or municipality.

(b) Retirement benefit obligations

	Group	
	2010 RMB'000	2009 RMB'000
Balance sheet obligations for:		
Multi-employer defined benefits plans for US employees (note (i))	30,841	34,474
Post-retirement benefits for PRC employees (note (ii))	548,974	591,048
Early-retirement benefits for PRC employees (note (ii))	582,052	679,048
	1,161,867	1,304,570
Expensed in income statement for (note 39):		
Multi-employer defined benefits plans for US employees (note (i))	—	(21,625)
Post-retirement benefits for PRC employees (note (ii))	14,200	14,379
Early-retirement benefits for PRC employees (note (ii))	36,596	47,647
	50,796	40,401

(i) Multi-employer defined benefit plan

As the actuary is unable to provide sufficient information to the Group's proportional share of the defined benefit obligation and the assets and expenses associated with the multi-employer plan and there is no agreement on the future allocation of surplus/shortfall from the plan, the multi-employer defined benefit plan has been accounted for as a defined contribution plan.

27 Provisions and other liabilities (Continued)

Notes: (Continued)

(b) Retirement benefit obligations (Continued)

(ii) Retirement benefits for PRC employees

The Group recognises a liability for the present value of the unfunded obligations relating to retirement benefits payable to certain normal retired or early retired employees in the consolidated balance sheet. The liability related to the benefit obligations for eligible retired employees existing at year end is calculated by the management of the Group, using the projected unit credit method. The actuarial liabilities of early retirement and post retirement as at 31 December 2010 totalled are RMB1,131,026,000 (2009: RMB1,270,096,000).

Movements of the net liabilities recognised in the consolidated balance sheets are as follows:

	2010			2009		
	Early retirement RMB'000	Post retirement RMB'000	Total RMB'000	Early retirement RMB'000	Post retirement RMB'000	Total RMB'000
As at 1 January	679,048	591,048	1,270,096	768,073	611,382	1,379,455
Amounts charged to the consolidated income statement	36,596	14,200	50,796	47,647	14,379	62,026
Benefits paid	(133,592)	(56,274)	(189,866)	(136,672)	(34,713)	(171,385)
As at 31 December	582,052	548,974	1,131,026	679,048	591,048	1,270,096

The amounts of retirement benefit costs recognised in the consolidated income statement comprise:

	2010			2009		
	Early retirement RMB'000	Post retirement RMB'000	Total RMB'000	Early retirement RMB'000	Post retirement RMB'000	Total RMB'000
Interest cost	19,218	20,755	39,973	20,612	20,961	41,573
Past service costs	59,254	5,948	65,202	76,879	4,771	81,650
Actuarial gain	(41,876)	(12,503)	(54,379)	(49,844)	(11,353)	(61,197)
	36,596	14,200	50,796	47,647	14,379	62,026

27 Provisions and other liabilities (Continued)

Notes: (Continued)

(b) Retirement benefit obligations (Continued)

(ii) Retirement benefits for PRC employees (Continued)

The principal actuarial assumptions used were as follows:

	2010		2009	
	Early retirement	Post retirement	Early retirement	Post retirement
Discount rate	3.4% - 3.8%	4.2% - 4.7%	3.0% - 4.3%	3.5% - 4.3%
Pension benefits inflation rates	0% - 10%	0% - 4.8%	0% - 10%	0% - 4.8%
Mortality rates	note	note	note	note

Note: Mortality rates for male and female were made reference to the China Life Insurance Mortality Table (2000-2003) published by the China Insurance Regulatory Commission in 2005.

(c) Provision for onerous contracts

As at 31 December 2010, the Group recognised a provision of RMB1,171,623,000 (2009: RMB1,419,030,000) for onerous contracts relating to the non-cancellable chartered-in dry bulk vessel contracts based on management's estimation basis as mentioned in note 4(v).

As at 31 December 2010, the committed charterhire expenses of non-cancellable chartered-in dry bulk vessel contracts with lease term expiring over 12 months from the balance sheet date and with period not being covered by chartered-out dry bulk vessel contracts of which management cannot reliably assess their onerous amounted to approximately RMB36,003,790,000 (2009: RMB45,949,946,000).

28 Other non-current liabilities

The balances represent the outstanding payable to COSCO (Zhoushan) Shipyard Co., Ltd. ("COSCO Zhoushan") and COSCO Dalian Shipyard Co., Ltd., related companies, in relation to the construction payable for five dry bulk vessels. The balances are unsecured, interest free and payable within 2 to 3 years (notes 44(e) and 44(k)).

The carrying amounts of other non-current liabilities approximate their fair value.

29 Trade and other payables

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables (note a)				
– third parties	5,603,267	5,382,995	—	—
– subsidiaries of COSCO	863,189	1,199,286	—	—
– jointly controlled entities	133,326	196,762	—	—
– associates	52,129	104,237	—	—
– other related companies	51,567	45,746	—	—
	6,703,478	6,929,026	—	—
Bills payables (note a)	831,341	208,075	—	—
	7,534,819	7,137,101	—	—
Advances from customers	2,871,071	2,483,550	—	—
Other payables and accruals (note b)	9,350,649	7,615,940	671,566	485,720
Consideration payable to COSCO (note c)	92,699	92,699	—	—
Due to related companies (note e)				
– COSCO	—	163	—	—
– subsidiaries of COSCO	172,702	217,760	—	—
– jointly controlled entities	63,535	29,650	16,117	—
– associates	5,799	14,087	—	—
– other related companies	209,546	100,636	—	—
	451,582	362,296	16,117	—
Total	20,300,820	17,691,586	687,683	485,720

29 Trade and other payables

Notes:

(a) As at 31 December 2010, the ageing analysis of trade and bills payables is as follows:

	2010 RMB'000	2009 RMB'000
1-6 months	6,956,638	6,761,981
7-12 months	243,497	169,162
1-2 years	227,323	160,932
2-3 years	71,373	20,791
Above 3 years	35,988	24,235
	7,534,819	7,137,101

Trade balances with related companies are unsecured, interest free and have similar terms of repayment as those of third party suppliers.

(b) Other payables and accruals

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Salary and welfare payables	2,399,303	1,799,719	179,624	199,586
Accruals for voyages costs	1,485,486	1,326,951	—	—
Accruals for vessel costs	2,592,935	2,215,552	—	—
Interest payables	401,743	329,342	331,477	262,351
Others	2,471,182	1,944,376	160,465	23,783
	9,350,649	7,615,940	671,566	485,720

(c) The balance represents the outstanding consideration payable to COSCO for the acquisition of entire equity interests in COSCO Shanghai in 2009. The balance has been fully settled in January 2011.

(d) The carrying amounts of trade and other payables (excluding advances from customers) are denominated in the following currencies:

	2010 RMB'000	2009 RMB'000
US dollar	6,420,107	5,053,050
RMB	9,512,247	8,788,064
EURO	648,386	548,118
HK dollar	151,104	193,775
Other currencies	697,905	625,029
Total	17,429,749	15,208,036

(e) The amounts due to related companies are unsecured and interest free and have no fixed term of repayment.

(f) The carrying amounts of trade and other payables (excluding advances from customers) approximate their fair values.

30 Short-term borrowings

	2010 RMB'000	2009 RMB'000
Bank loans – unsecured	**1,330,052**	3,702,529
– secured (note b)	**325,757**	—
Other loan- unsecured	**572**	837
COSCO Finance-unsecured	**13,000**	—
	1,669,381	3,703,366

Notes:

(a) The effective interest rates of short-term borrowings as at 31 December 2010 were in the range of 1.14% to 5.31% (2009: 1.26% to 5.31%) per annum.

(b) The secured bank loan as at 31 December 2010 is secured by a bank account of a subsidiary (note 18 (a)).

(c) The carrying amounts of short-term borrowings approximate their fair values. The carrying amounts of the short-term borrowings are denominated in the following currencies:

	2010 RMB'000	2009 RMB'000
US dollar	**125,431**	2,253,029
RMB	**843,000**	1,449,500
EURO	**572**	837
JPY	**700,378**	—
	1,669,381	3,703,366

31 Other income, net

	2010 RMB'000	2009 RMB'000
Dividend income from listed and unlisted investments	**16,585**	160,361
Subsidy income	**119,956**	530,530
Gain on disposal of property, plant and equipment, net		
– container vessels (note a)	**24,290**	21,474
– dry bulk vessels (note b)	**242,182**	173,451
– containers	**11,620**	3,761
– others	**24,808**	35,676
(Loss)/gain on disposal of a subsidiary	**(2)**	436
Gain on disposal of available-for-sale financial assets	**59,266**	123,345
Gain on disposal of a jointly controlled entity and associates (note c)	**743**	41,291
Net gain on derivatives at fair value through profit or loss		
– FFA	**35,269**	989,206
– forward foreign exchange contracts	**2,667**	—
Reversal of provision for impairment of trade and other receivables	**72,816**	180,667
Net exchange (loss)/gain	**(364,176)**	97,258
Provision for impairment of trade and other receivables	**(35,908)**	(90,895)
Donations	**(24,317)**	(627)
Net gain on acquisition of a subsidiary	**—**	1,176
Others	**85,046**	(69,727)
Total	**270,845**	2,197,383

Notes:

(a) In 2010, the Group disposed of three container vessels to third parties for a net consideration of RMB71,167,000, resulted in a total gain of RMB24,290,000.

In 2009, the Group disposed of five container vessels to third parties for a net consideration of RMB68,715,000, resulted in a total gain of RMB21,474,000.

(b) In 2010, the Group disposed of six dry bulk vessels to third parties for a net consideration of RMB325,288,000, resulted in a total gain of RMB242,182,000.

In 2009, the Group disposed of eleven dry bulk vessels to third parties and one dry bulk vessel to a jointly controlled entity for a net consideration of RMB268,498,000, resulted in a total gain of RMB173,451,000.

(c) In 2009, COSCO Pacific, a subsidiary of the Group, entered into a sale and purchase agreement to dispose of its entire 20% shareholding interest in Shanghai CIMC Reefer Containers Co. Ltd ("Shanghai CIMC Reefer"), a then jointly controlled entity ,at a consideration of US$16,400,000 (approximately RMB112,040,000) to CIMC, an associate. The transaction was completed in January 2009 and resulted in a profit of US$5,516,000 (approximately RMB37,684,000).

32 Expenses by nature

	2010 RMB'000	2009 RMB'000
Cost of services and inventories sold		
Container shipping and dry bulk shipping costs		
– Equipment and cargo transportation costs	**14,870,602**	11,965,969
– Voyage costs (note a)	**16,667,767**	13,716,305
– Vessel costs (note b)	**26,576,968**	25,254,555
– Provision for onerous contracts	**1,176,814**	1,419,125
– Others	**882,255**	1,795,860
Freight forwarding and shipping agency costs	**19,410,108**	15,770,228
Terminal operating and other direct costs	**1,047,113**	574,922
Cost of inventories sold	**1,958,897**	717,812
Container depreciation and other direct costs	**689,025**	660,170
Business tax	**772,906**	522,893
Total	**84,052,455**	72,397,839
Selling, administrative and general expenses		
Administrative staff costs	**3,330,141**	2,950,211
Depreciation and amortisation	**305,699**	298,444
Rental expense	**181,803**	162,990
Office expense	**187,120**	175,011
Transportation and travelling expense	**204,305**	197,496
Entertainment expense	**183,829**	152,238
Legal and professional fees	**105,697**	188,437
Telecommunication and utilities	**93,639**	97,158
Repair and maintenance expense	**55,065**	59,800
Others	**296,711**	388,636
Total	**4,944,009**	4,670,421

Notes:

(a) Voyage costs mainly comprised of bunkers, port charges and commission expenses.

(b) Vessel costs mainly comprised of operating lease rentals and depreciation of vessels.

33 Operating profit/loss

Operating profit/loss stated after charging/(crediting) the following:

	2010 RMB'000	2009 RMB'000
Auditors' remuneration	**52,268**	56,014
Amortisation		
– leasehold land and land use rights	**52,324**	32,732
– intangible assets	**53,623**	56,821
– concession	**12,839**	3,395
Cost of bunkers consumed	**12,771,307**	9,724,520
Cost of inventories sold		
– resaleable containers	**171,637**	134,817
– marine suppliers and others	**102,551**	99,791
– merchandises	**1,684,709**	483,204
Depreciation		
– container vessels	**1,120,547**	996,159
– dry bulk vessels	**1,125,914**	1,280,623
– containers	**586,256**	539,770
– other property, plant and equipment	**474,523**	471,980
– investment properties	**26,355**	37,400
Operating lease rentals		
– container vessels	**3,489,910**	3,376,862
– dry bulk vessels	**16,808,124**	19,891,694
– containers	**906,027**	427,126
– leasehold land and buildings	**263,067**	206,315
– other property, plant and equipment	**260,721**	60,334
Rental income of investment properties	**(53,143)**	(49,489)

34 Finance income and costs

	2010 RMB'000	2009 RMB'000
Finance income		
Interest income from:		
– deposits with COSCO Finance (note 18(b))	(93,831)	(107,632)
– loans to jointly controlled entities (note 13(a))	(10,895)	(24,574)
– loans to associates (note 13(b))	(10,699)	(9,223)
– banks	(513,590)	(370,171)
Net exchange gain	(534,381)	—
	(1,163,396)	(511,600)
Finance costs		
Interest expenses on:		
– bank loans	773,048	789,241
– other loans wholly repayable within five years	2,243	4,697
– loans with COSCO Finance (notes 26 and 30)	22,279	63,563
– finance lease obligations (note 26(i))	10,726	11,833
– notes (note 26(c))	508,608	358,098
Fair value (gain)/loss on derivative financial instruments	(20,152)	52,321
Fair value adjustment of notes attributable to interest rate risk	26,260	(44,857)
	6,108	7,464
	1,323,012	1,234,896
Amortised amount of transaction costs on long-term borrowings	58,918	40,235
Amortised amount of discount on issue of notes	1,144	1,230
Other incidental borrowing costs and charges	42,598	46,798
Less: amount capitalised in construction in progress (note 6(h))	(104,277)	(79,949)
	1,321,395	1,243,210
Net finance costs	157,999	731,610

35 Income tax expenses

	2010 RMB'000	2009 RMB'000
Current income tax		
– PRC enterprise income tax (note a)	388,632	263,541
– Hong Kong profits tax (note b)	4,913	2,159
– Overseas taxation (note c)	146,334	63,683
Over provision in prior years	(661)	(23,055)
	539,218	306,328
Deferred income tax (note 16)	649,812	144,258
	1,189,030	450,586

The Group's share of income tax expenses of jointly controlled entities and associates for the year totalling RMB134,198,000 (2009: RMB100,151,000) and RMB235,096,000 (2009: RMB78,423,000) are included in the consolidated income statement as share of profits less losses of jointly controlled entities and associates respectively.

Notes:

(a) PRC enterprise income tax ("EIT")

The provision for EIT is based on the statutory rate of 25% on the assessable income of each of the PRC companies of the Group as determined in accordance with the relevant PRC income tax rules and regulations for the year, except for certain PRC companies, which are taxed at reduced rates ranging from 11% to 22% (2009: 10% to 20%) based on different local preferential policies on income tax and approval by relevant tax authorities.

(b) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits derived from or arising in Hong Kong for the year.

(c) Overseas taxation

Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.These rates range from 13% to 46% (2009: 15% to 46%) during the year.

35 Income tax expenses (Continued)

Notes: (Continued)

(d) The taxation on the Group's profit/(loss) before income tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

	2010 RMB'000	2009 RMB'000
Profit/(loss) before income tax	9,273,602	(6,213,500)
Less: Share of profits less losses of jointly controlled entities and associates	(1,718,676)	(926,473)
	7,554,926	(7,139,973)
Calculated at a tax rate of 25% (2009: 25%)	1,888,732	(1,784,993)
Effect of differential tax rates of domestic and overseas entities	(8,937)	(176,053)
Income not subject to income tax	(1,094,649)	(631,927)
Expenses not deductible for taxation purposes	857,896	730,397
Utilisation of previously unrecognised tax losses	(787,893)	(12,597)
Tax losses not recognised	115,844	2,260,050
Derecognition of previously recognised tax losses	103,994	12,591
Effect of exchange losses directly recognised in equity	—	(23,237)
Over provision in prior years	(661)	(23,055)
Withholding income tax upon distribution of profits and payment of interest	95,681	77,314
Other temporary differences not recognised	19,023	22,096
Income tax expenses	1,189,030	450,586

35 Income tax expenses (Continued)

Notes: (Continued)

(e) The tax credit/(charge) relating to components of other comprehensive income are as follows:

	2010 Before tax RMB'000	2010 Tax (charge)/ credit RMB'000	2010 After tax RMB'000	2009 Before tax RMB'000	2009 Tax (charge)/ credit RMB'000	2009 After tax RMB'000
Available-for-sale financial assets						
– fair value (losses)/gains	(102,334)	22,717	(79,617)	226,522	32,326	258,848
– transferred to consolidated income statement upon sale	(63,383)	15,846	(47,537)	(81,651)	20,413	(61,238)
Cash flow hedges						
– fair value gains	—	—	—	29,979	(11,780)	18,199
– transferred to consolidated income statement	(2,401)	600	(1,801)	—	—	—
Share of other comprehensive income of jointly controlled entities and associates	(85,673)	—	(85,673)	127,957	—	127,957
Reclassification of an available-for-sale financial asset to an associate						
– release of investment revaluation reserve	(1,605,002)	—	(1,605,002)	—	—	—
– share of reserves	327,639	—	327,639	—	—	—
Currency translation differences	(1,580,441)	—	(1,580,441)	84,982	—	84,982
Other movement	—	—	—	227,854	(75,541)	152,313
Other comprehensive income for the year	(3,111,595)	39,163	(3,072,432)	615,643	(34,582)	581,061
Current tax		16,446			20,413	
Deferred tax (note 16)		22,717			(54,995)	
Total		39,163			(34,582)	

(f) Business tax

Pursuant to various PRC business tax rules and regulations, the Group is required to pay business tax to relevant local tax bureaus as below.

Revenues derived from container shipping and dry bulk business for inbound shipment and freight forwarding and shipping agencies, and terminal operations provided by the Group in the PRC are subject to business tax at rates ranging from 3% to 5% during the year. The related business tax is included in the cost of services.

36 Profit/(loss) attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB807,606,000 (2009: loss of RMB129,821,000).

37 Distributions and dividends

(a) Distributions

	2010 RMB'000	2009 RMB'000
Consideration in connection with the purchase of		
– COSCO Shanghai (note 44(d))	—	232,699
– Shipping Agency Qinzhou (note 44(d))	—	850
	—	233,549

These represented consideration paid by the Group for acquisition of equity interests in subsidiaries from COSCO Group. These acquisitions were regarded as business combinations under common control.

(b) Dividends

	2010 RMB'000	2009 RMB'000
Final dividend, proposed, of RMB0.09 (2009: Nil) per share	919,465	—

Note:

At the meeting held on 29 March 2011, the Directors proposed a final cash dividend of RMB0.09 per share, totalling RMB919,465,000 for the year ended 31 December 2010.

At the meeting held on 22 April 2010, no dividend was proposed for the year ended 31 December 2009.

The amount of proposed dividend for 2010 has been disclosed in the consolidated income statement in accordance with the Hong Kong Companies Ordinance.

38 Earnings/(loss) per share

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the number of ordinary shares in issue during the year.

	2010	2009
Profit/(loss) attributable to equity holders of the Company (RMB)	6,858,465,000	(7,467,812,000)
Number of ordinary shares in issue	10,216,274,357	10,216,274,357
Basic earnings/(loss) per share (RMB)	0.6713	(0.7310)

(b) Diluted

Diluted earnings/(loss) per share is calculated based on the profit/(loss) attributable to equity holders of the Company after adjusting the effect for assumed issuance of shares on exercise of share options of a subsidiary and the number of ordinary shares in issue during the year.

	2010	2009
Profit/(loss) attributable to equity holders of the Company (RMB)	6,858,465,000	(7,467,812,000)
Adjustment on the effect of dilution	(161,793)	—
	6,858,303,207	(7,467,812,000)
Number of ordinary shares in issue	10,216,274,357	10,216,274,357
Diluted earnings/(loss) per share (RMB)	0.6713	(0.7310)

39 Staff costs

An analysis of staff costs, including Directors', supervisors' and key management's emoluments, is set out below:

	2010 RMB'000	2009 RMB'000
Wages, salaries, and crew expenses (including bonus and share-based payments)	5,137,781	4,495,166
Housing benefits (note a)	309,203	299,842
Retirement benefits costs		
– defined benefit plans (including multi-employer defined benefit plans) (note 27(b))	50,796	40,401
– defined contribution plans (note b)	1,122,669	658,380
Welfare and other expenses	1,412,217	1,158,469
	8,032,666	6,652,258

Notes:

(a) These include contributions to PRC government sponsored housing funds (at rates ranging from 5% to 22% of the employees' basic salaries) for full time employees in the PRC during the year.

(b) The employees of the subsidiaries in the PRC participate in various retirement contribution plans organised by the relevant municipal and provincial governments in the PRC under which the Group was required to make monthly contributions to these plans at rates ranging from 5% to 22%, dependent on the applicable local regulations, of the employees' basic salaries for the year.

In addition, the Group participates in various defined contribution retirement schemes for its qualified employees in certain countries outside the PRC. Employees' and employers' contributions are calculated based on various percentages of employees' gross salaries or fixed sums and length of service. The assets of the schemes are held separately from those of the administered funds independently.

No forfeited contributions were available as at 31 December 2010 and 2009 to reduce future contributions.

Contributions totalling RMB333,178,000 (2009: RMB172,754,000) payable to various retirement benefit plans as at 31 December 2010 are included in trade and other payable.

(c) The staff costs disclosed above do not include staff quarters provided to the Directors, supervisors and the Group's key managements during the year. Further details of the Directors, supervisors and key management's emoluments are disclosed in note 40 of the Consolidated Financial Statements.

40 Emoluments of Directors, supervisors and senior management

(a) Directors', supervisors' and senior management's emoluments

Details of the emoluments paid and payable to the Directors, supervisors and senior management of the Company by the Group in respect of their services rendered for managing the business of the Group during the year are as follows:

	2010 RMB'000	2009 RMB'000
Independent non-executive directors		
– fees	1,286	1,273
Executive and other non-executive directors		
– fees	1,254	1,358
– salaries and allowances	5,354	1,980
– benefits in kind	(7,572)	36,461
	(964)	39,799
Supervisors		
– salaries and allowances	3,333	2,317
– benefits in kind	(2,084)	10,650
– retirement benefit contributions	57	52
– others	1	137
	1,307	13,156
Senior management		
– salaries and allowances	11,388	7,696
– benefits in kind	(2,119)	14,708
– discretionary bonuses	447	616
– retirement benefit contributions	411	131
– others	37	277
	10,164	23,428
	11,793	77,656

Benefits in kind for the year ended 31 December 2010 disclosed above mainly included amortised cost and change in fair value with a net credit of RMB12,601,000 (2009: a net debit of RMB60,973,000) on outstanding SARs not yet exercised by Directors, supervisors and senior management.

Details of SAR scheme refer to note 24(b).

40 Emoluments of Directors, supervisors and senior management (Continued)

(b) Directors' emoluments

Details of the remuneration of each of the Directors are set out below:

	Year ended 31 December 2010			
Name of Directors	Fees	Salaries and allowances	Benefits in kind	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Wei Jiafu	—	1,983	(1,597)	386
Mr. Zhang Fusheng	—	1,785	(1,415)	370
Mr. Zhang Liang	—	1,586	(277)	1,309
Mr. Li Jianhong (ii)	303	—	(1,059)	(756)
Mr. Xu Lirong	323	—	(928)	(605)
Ms. Sun Yueying	306	—	(1,059)	(753)
Mr. Chen Hongsheng	322	—	(1,237)	(915)
Ms. Li Boxi	316	—	—	316
Mr. Hamilton Alexander Reid	331	—	—	331
Mr. Cheng Mo Chi	327	—	—	327
Mr. Teo Siong Seng	312	—	—	312
	2,540	5,354	(7,572)	322

40 Emoluments of Directors, supervisors and senior management (Continued)

(b) Directors' emoluments (Continued)

Name of Directors	Fees RMB'000	Year ended 31 December 2009 Salaries and allowances RMB'000	Benefits in kind RMB'000	Total RMB'000
Mr. Wei Jiafu	—	720	7,631	8,351
Mr. Zhang Fusheng	—	660	6,762	7,422
Mr. Zhang Liang	191	50	1,566	1,807
Mr. Li Jianhong	368	—	5,058	5,426
Mr. Xu Lirong	314	—	4,476	4,790
Ms. Sun Yueying	329	—	5,058	5,387
Mr. Chen Hongsheng	156	550	5,910	6,616
Ms. Li Boxi	315	—	—	315
Mr. Hamilton Alexander Reid	327	—	—	327
Mr. Cheng Mo Chi	327	—	—	327
Mr. Teo Siong Seng	304	—	—	304
	2,631	1,980	36,461	41,072

Notes:

(i) During the year, no emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. No Directors of the Company waived or agreed to waive any emoluments during the year.

(ii) The Director resigned in 2010.

40 Emoluments of Directors, supervisors and senior management (Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year are as follows:

	Number of individuals 2010	2009
Directors	—	4
Employees	5	1
	5	5

The details of emoluments paid to the five highest paid individuals, have included no (2009: four) Directors of the Company as disclosed in note 40(b) above. Details of emoluments paid to the five (2009: one) highest paid non-director individuals for the year ended 31 December 2010 are as follows:

	2010 RMB'000	2009 RMB'000
– Salaries and allowances	12,187	4,432
– Benefits in kind	376	1,067
– Discretionary bonuses	1,829	616
– Retirement benefit contributions	31	—
– Others	—	146
	14,423	6,261

The emoluments of the above non-director individuals fell within the following bands:

	Number of individuals 2010	2009
HK$2,000,001 to HK$2,500,000 (equivalent to approximately RMB1,700,000 to RMB2,130,000)	1	—
HK$2,500,001 to HK$3,000,000 (equivalent to approximately RMB2,130,000 to RMB2,550,000)	2	—
HK$3,000,001 to HK$3,500,000 (equivalent to approximately RMB2,550,000 to RMB2,980,000)	1	—
HK$3,500,001 to HK$6,000,000 (equivalent to approximately RMB2,980,000 to RMB5,110,000)	1	—
HK$6,000,001 to HK$7,500,000 (equivalent to approximately RMB5,110,000 to RMB6,380,000)	—	1
	5	1

41 Notes to the consolidated cash flow statement

(a) Reconciliation of profit/(loss) before income tax to cash generated from/(used in) operations:

	2010 RMB'000	2009 RMB'000
Profit/(loss) before income tax	9,273,602	(6,213,500)
Depreciation		
– property, plant and equipment	3,307,240	3,288,532
– investment properties	26,355	37,400
Amortisation		
– intangible assets	53,623	56,821
– leasehold land and land use rights	52,324	32,732
– concession	12,839	—
Amortised amount of transaction costs on long-term borrowings and discount on issue of notes	60,062	41,465
Dividend income from listed and unlisted investments	(16,585)	(160,361)
Share of profits less losses of		
– jointly controlled entities	(682,639)	(567,136)
– associates	(1,036,037)	(359,337)
Gain on disposal of available-for-sale financial assets	(59,266)	(123,345)
Gain on disposal of other financial assets at fair value through profit or loss	(859)	—
Interest expenses	1,218,735	1,154,947
Interest income	(629,015)	(511,600)
Net gain on disposal of property, plant and equipment	(302,900)	(234,362)
Net gain on disposal of jointly controlled entities and associates	(743)	(41,291)
Net loss/(gain) on disposal of a subsidiary	2	(436)
Net gain on acquisition a subsidiary	—	(1,176)
Other incidental borrowing costs and charges	42,598	46,798
Provision for onerous contracts	1,176,814	1,419,125
Net exchange gain	(170,205)	(97,258)
Operating profit/(loss) before working capital changes	12,325,945	(2,231,982)
Increase in inventories	(155,624)	(34,761)
(Increase)/decrease in trade and other receivables	(1,870,953)	768,191
Increase in trade and other payables	2,092,391	2,074,628
Increase/(decrease) in other tax payable	115,592	(42,653)
Decrease in finance lease receivables	13,053	6,492
Decrease in provisions and other liabilities	(1,631,090)	(5,456,132)
Changes on financial instruments at fair value through profit or loss	(80,046)	(3,499,368)
Changes on other financial assets at fair value through profit or loss	1,210	(2,800)
Increase in restricted bank deposits	(184,083)	—
Cash generated from /(used in) operations	10,626,395	(8,418,385)

41 Notes to the consolidated cash flow statement (Continued)

(b) Major non-cash transactions

In 2010, loan advanced to investee company of RMB388,422,000 was reclassified as equity loan to an associate. In 2009, dividend receivable from a jointly controlled entity of RMB219,434,000 was redesignated as loan to a jointly controlled entity.

(c) Acquisition of subsidiaries

On 28 February 2009, the Group increased its equity interests in Shanghai Ocean Radio Co., Ltd by 40% and the entity became a 75% owned subsidiary of the Group. The consideration for the acquisition was RMB9,653,000.

On 1 June 2009, the Group increased its equity interests in Tianjin Ocean FPD Savills Property Management Company Limited by 45% and the entity became a 100% owned subsidiary of the Group. The consideration for the acquisition was RMB606,000.

On 31 August 2009, the Group increased its equity interests in Qingdao Ocean Hotel Co., Ltd. by 33% and the entity became a 100% owned subsidiary of the Group. The consideration for the acquisition was RMB165,537,000.

The assets and liabilities as at the date of acquisition are as follows:

	2009 Fair value RMB'000
Property, plant and equipment	177,681
Leasehold land and land use rights	372,627
Inventories	20,431
Trade and other receivables	36,095
Bank deposits and cash and cash equivalents	8,200
Short-term borrowings	(4,000)
Trade and other payables	(78,941)
Tax payable	(154)
Deferred income tax liabilities	(75,541)
	456,398
Non-controlling interests	(7,735)
Fair value of net assets	448,663
Less:	
Share of net assets held by the Group before acquisition	(145,849)
Gain on previously held interests by the Group	(153,489)
Goodwill (note 9)	26,471
Total purchase consideration	175,796

41 Notes to the consolidated cash flow statement (Continued)

(c) Acquisition of subsidiaries (Continued)

Purchase consideration	RMB'000
Cash	175,796

Analysis on net cash outflow on cash equivalent on acquisition of subsidiaries:

	2009 RMB'000
Purchase consideration settled in cash during the year	(175,796)
Cash and cash equivalents in acquired subsidiaries	8,200
Net cash outflow on acquisition	(167,596)

(d) Disposal of subsidiaries

On 31 March 2010, the Group disposed of its 55% equity interest in COSCO Beijing Auto-logistics Co., Ltd., a non-wholly owned subsidiary.

On 10 May 2010, the Group disposed of its 100% equity interest in Penavico Zhenjiang Property Management Company for a consideration of RMB2,579,000.

On 31 August 2009, the Group disposed of its 60% equity interest in Shanghai Yuanjiang Container Shipping Co., Ltd. for a consideration of RMB6,835,000.

On 31 December 2009, the Group liquidated Dalian Goldenrock Container Cargo Transportation Service Co., Ltd., a wholly owned subsidiary.

On 31 December 2009, the Group disposed of its 65% equity interest in COSCO Beijing United Auto-logistics Co., Ltd for a consideration of RMB6,422,000.

41 Notes to the consolidated cash flow statement (Continued)

(d) Disposal of subsidiaries

Net cash outflow in respect of disposal of subsidiaries is analysed as follows:

	2010 RMB'000	2009 RMB'000
Property, plant and equipment	18,448	5,953
Inventories	—	46
Trade and other receivables	13,508	2,262
Deferred income tax assets	—	53
Bank deposits and cash and cash equivalents	9,799	19,463
Trade and other payables	(25,196)	(2,116)
Tax payable	(265)	(51)
Net assets disposed of	16,294	25,610
Less: Non-controlling interests disposed of	(6,171)	(7,718)
	10,123	17,892
Cash consideration	2,579	13,257
Less: Cash and cash equivalents disposed of	(9,799)	(19,463)
Net cash outflow on disposal of subsidiaries	(7,220)	(6,206)

Notes to the Consolidated Financial Statements

42 Contingent liabilities

	2010 RMB'000	2009 RMB'000
Pending lawsuits	**10,507**	14,375

Notes:

(a) In 2003, the Group was involved in a personal injury case in which a truck was involved in a traffic accident in Illinois, the US, resulting in death and injury of a number of individuals. Upon advice of US legal counsel, the Directors consider that the exposure liable to the Group, if any, is fully covered by the Group's insurance policies.

(b) On 19 October 2009, a statement of claim was issued by Aronis-Drettas-Karlaftis Consultant Engineers S.A. ("ADK") against COSCO Pacific and Piraeus Container Terminal S.A. ("Piraeus Terminal"), a wholly owned subsidiary of COSCO Pacific, in a civil claim at the Court of First Instance of Athens in Greece alleging non-payment of fees for design services and project management services. The plaintiff has claimed approximately Euro 5,800,000 (equivalent to approximately RMB52,152,440) in total. COSCO Pacific and Piraeus Terminal have defended all material claims at the trial hearing held on 30 November 2010.

The Court of First Instance of Athens has issued (pronounced) judgment on the case and has dismissed the aforementioned statement of claim in its entirety both as regards COSCO Pacific and as regards Piraeus Terminal. According to Greek procedural law the plaintiff (ADK) has the right to file an appeal against the aforesaid judgment of the Court of First Instance of Athens before the Athens Court of Appeals. The directors and management of COSCO Pacific, having taken legal advice, are of the view that COSCO Pacific and Piraeus Terminal have good defences to all material claims and that the dismissal of the aforementioned statement of claim in its entirety by the Court of First Instance of Athens has further strengthened COSCO Pacific's position in this litigation. However, and as long as ADK maintains the right to file an appeal against the judgment of the Court of First Instance in accordance with Greek procedural law, it is still not possible to predict the outcome of this litigation with certainty. Hence, no provision has been made for the claims.

(c) The Group is subject to other claims in respect of a number of litigations currently under way. The litigations are, including but not limited to, claims arising from damage to vessels during transportation, loss of goods, delay in delivery, collision of vessels and early termination of vessel chartering contracts.

As at 31 December 2010, other than the amounts disclosed above, the Group is unable to ascertain the likelihood and amounts of the other claims. However, based on advice of legal counsel and/or information available to the Group, the Directors are of the opinion that, while the claims have not been provided for in the Consolidated Financial Statements or included in the contingent liabilities as disclosed above, either the Group's insurance coverage is adequate to cover any final claims to be settled or the final claims amounts will be insignificant to the Group.

43 Commitments

(a) Capital commitments

Group

	2010 RMB'000	2009 RMB'000
Authorised but not contracted for		
Containers	1,653,165	887,700
Other property, plant and equipment	3,321,906	1,974,305
Intangible assets	7,586	8,660
Investment	16,568	—
	4,999,225	2,870,665
Contracted but not provided for		
Containers	917,045	12,427
Containers vessels and dry bulk vessels	19,026,134	24,793,490
Other property, plant and equipment	2,217,951	1,852,259
Investments (note i)	3,955,427	3,963,531
Intangible assets	32,756	25,893
	26,149,313	30,647,600

Company

As at 31 December 2010, the Company has no significant capital commitment.

As at 31 December 2009, the Company had contracted capital commitments not provided for in relation to the acquisition of COSCO Logistics from COSCO Pacific Logistics Company Limited ("COSCO Pacific Logistics"), a wholly owned subsidiary of COSCO Pacific, amounted to RMB2,000,000,000. The acquisition was completed in March 2010 (note 25(g)(i)).

43 Commitments (Continued)

(a) Capital commitments (Continued)

Notes:

(i) The Group's contracted investments as at 31 December 2010 are as follows:

	2010 RMB'000	2009 RMB'000
Investments in:		
- Qingdao Qianwan Container Terminal Co., Ltd.	430,456	443,813
- Antwerp Gateway NV	394,455	474,328
- Dalian Port Container Terminals Co., Ltd	292,001	292,001
- COSCO Ports (Nansha) Limited	1,215,563	1,215,563
- Tianjin Port Euroasia International Container Terminal Co., Ltd.	702,000	702,000
- Others	488,808	403,683
	3,523,283	3,531,388
Terminal projects in:		
- Shanghai Yangshan Port Phase II	400,000	400,003
- Others	32,144	32,140
	432,144	432,143
	3,955,427	3,963,531

(ii) Amounts of capital commitments relating to the Group's interest in the jointly controlled entities not included in the above are as follows:

	2010 RMB'000	2009 RMB'000
Authorised but not contracted for	79,049	61,215
Contracted but not provided for	21,736	38,661
	100,785	99,876

43 Commitments (Continued)

(b) Operating lease arrangement - where the Group is the lessor

As at 31 December 2010, the Group had future minimum lease receipts under non-cancellable operating leases as follows:

	2010 RMB'000	2009 RMB'000
Containers vessels and dry bulk vessels		
– not later than one year	**3,114,288**	5,916,954
– later than one year and no later than five years	**913,412**	1,371,516
– later than five years	**347,011**	483,078
	4,374,711	7,771,548
Containers (note)		
– not later than one year	**553,929**	357,122
– later than one year and no later than five years	**1,200,020**	732,038
– later than five years	**91,440**	171,627
	1,845,389	1,260,787
Investment properties and other properties, land and building		
– not later than one year	**9,096**	17,010
– later than one year and no later than five years	**12,028**	6,557
– later than five years	**143**	453
	21,267	24,020
Other property, plant and equipment		
– not later than one year	**8,654**	4,826
– later than one year and no later than five years	**11,405**	6,470
– later than five years	**1,119**	1,253
	21,178	12,549
	6,262,545	9,068,904

Note: The future lease receipts above do not include those lease contracts with the amount of future lease receipts depends on the timing of pick up and drop off of containers by lessees during the lease period of the contracts.

Notes to the Consolidated Financial Statements

43 Commitments (Continued)

(c) Operating lease commitments - where the Group is the lessee

As at 31 December 2010, the Group had future aggregate minimum payments under non-cancellable operating leases/ time charter arrangements as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Containers vessels and dry bulk vessels				
– not later than one year	**16,309,817**	17,869,468	**—**	—
– later than one year and no later than five years	**35,252,261**	43,633,366	**—**	—
– later than five years	**22,594,991**	27,926,804	**—**	—
	74,157,069	89,429,638	**—**	—
Concession (note 17(a))				
– not later than one year	**233,954**	234,419	**—**	—
– later than one year and no later than five years	**1,115,223**	1,148,053	**—**	—
– later than five years	**27,965,092**	30,803,990	**—**	—
	29,314,269	32,186,462	**—**	—
Containers (note)				
– not later than one year	**419,100**	323,282	**—**	—
– later than one year and no later than five years	**667,174**	467,567	**—**	—
– later than five years	**732**	—	**—**	—
	1,087,006	790,849	**—**	—

43 Commitments (Continued)

(c) Operating lease commitments - where the Group is the lessee (Continued)

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Leasehold land and buildings				
– not later than one year	113,566	118,566	—	38,239
– later than one year and no later than five years	190,570	187,549	—	—
– later than five years	169,126	181,017	—	—
	473,262	487,132	—	38,239
Other property, plant and equipment				
– not later than one year	102,628	90,807	—	—
– later than one year and no later than five years	109,458	138,586	—	—
– later than five years	5,663	6,005	—	—
	217,749	235,398	—	—
	105,249,355	123,129,479	—	38,239

Note:

After the disposal of certain containers in 2008, the Group entered an operating lease agreement of which the Group agreed to lease back these containers from the purchaser with an initial lease term of five years. The lessor calculated the rent payable by the Group, which was determined on the terms agreed with both parties on an arm's length basis.

Pursuant to the operating lease agreement, the lessor has granted a lease extension option to the Group, which must be exercised by the Group at least six months but not more than eight months from the expiry date of the original term. If exercised, the lease term of all containers under the operating lease agreement will be extended for a further term of five years from the original expiry date.

44 Significant related party transactions

The Company is controlled by COSCO, the parent company and a state-owned enterprise established in the PRC.

COSCO itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with HKAS 24 (Revised), “Related Party Disclosures”, issued by HKICPA, government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include COSCO and its subsidiaries (other than the Group), other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and COSCO as well as their close family members.

For the purpose of the related party transaction disclosures, the Directors believes that it is meaningful to disclose the related party transactions with COSCO group companies for the interests of financial statements users, although certain of those transactions which are individually or collectively not significant, are exempted from disclosure upon the early adoption of HKAS 24 (Revised). The Directors believe that the information of related party transactions has been adequately disclosed in the Consolidated Financial Statements.

In addition to the related party information and transactions disclosed elsewhere in the Consolidated Financial Statements, the following is a summary of significant related party transactions entered into the ordinary course of business between the Group and its related parties during the year.

44 Significant related party transactions (Continued)

	2010 RMB'000	2009 RMB'000
Transactions with COSCO		
Revenues		
Management fee income (note a)	18,565	17,249
Expenses		
Sub-charter expenses (note b)	129,989	130,916
Rental expenses (note c)	34,408	26,306
Others		
Purchase of equity interests in COSCO Shanghai (note d)	—	232,699
Transactions with subsidiaries of COSCO and its related entities (including jointly controlled entities and associates)		
Revenues		
Container shipping income (note c)	285,738	171,319
Freight forwarding and shipping agency income (note c)	10,288	7,892
Charterhire income (note c)	—	54,558
Vessel services income (note c)	44,671	33,596
Manning income (note c)	70,449	75,361
Vessel management income (note c)	3,627	5,428
Expenses		
Vessel costs		
Sub-charter expenses (note b)	416,194	412,699
Charterhire expenses (note c)	—	92,457
Vessel services expenses (note c)	478,333	424,626
Crew expenses (note c)	39,076	42,045
Voyage costs		
Bunker costs (note c)	9,927,234	8,045,003
Port charges (note c)	821,198	539,673
Equipment and cargo transportation costs		
Commission and rebates (note c)	200,907	186,496
Cargo and transhipment and equipment and repositioning expenses (note c)	133,928	147,911
Freight forwarding expenses (note c)	95,944	7,213
Logistics related expenses (note c)	2,818	4,593
General service expenses (note c)	45,920	38,412
Management fee expenses (note c)	8,680	15,398
Rental expenses (note c)	63,407	56,334
Others		
Purchase of equity interests in Shipping Agency Qinzhou (note d)	—	850
Installments paid for ship building contracts (note e)	2,574,522	3,792,250

44 Significant related party transactions (Continued)

	2010 RMB'000	2009 RMB'000
Transactions with jointly controlled entities of the Group		
Revenues		
Freight forwarding and shipping agency income (note c)	27,679	2,373
Charterhire income (note c)	209,499	359,139
Management fee and service fee income (note c)	26,632	26,473
Handling, storage and transportation income (note c)	11,965	8,601
Vessel service income (note c)	1,835	—
Manning income (note c)	17,111	19,381
Expenses		
Vessel costs		
Charterhire expenses (note c)	27,171	—
Vessel service expenses (note c)	—	101
Voyage costs		
Port charges (note c)	740,516	640,473
Equipment and cargo transportation costs		
Commission and rebates (note c)	271	372
Freight forwarding expenses (note c)	2,728	3,204
General service expenses (note c)	11,839	6,958
Rental expenses (note c)	4,842	3,147
Others		
Installments paid for ship building contracts (note e)	2,143	8,532
Proceeds from disposal of a vessel (note f)	6,501	7,037

44 Significant related party transactions (Continued)

	2010 RMB'000	2009 RMB'000
Transactions with associates of the Group		
Revenues		
Manning income (note c)	12,725	12,494
Management fee and service fee income (note c)	718	7,043
Expenses		
Vessel costs		
Crew expenses (note c)	—	156
Port charges (note c)	233,597	—
Container freight charges (note c)	9,060	1,082
Equipment and cargo transportation costs		
Commission and rebate (note c)	727	183
General service expenses (note c)	194	750
Others		
Purchase of containers (note g)	1,073,059	235,699
Bank guarantee to an associate at face value (note h)	195,403	217,166
Proceeds on disposal of a jointly controlled entity to CIMC (note i)	—	112,040
Transactions with non-controlling shareholders of subsidiaries		
Revenues		
Logistics related income (note c)	215,470	246,821
Expenses		
Logistics related expenses (note c)	1,239	—
Equipment and cargo transportation costs		
Commission and rebate (note c)	270	—
Others		
Port construction fee paid (note j)	17,369	—

Notes to the Consolidated Financial Statements

44 Significant related party transactions (Continued)

Notes:

(a) On 22 April 2009, following the reorganisation and fine-tuning of corporate structure of the Company, the Company entered into a three-year Master Entrust Management Services Agreement with COSCO to manage non-listed wholly owned and direct holding companies of COSCO. Management fee income is charged based on the management cost incurred plus appropriate profit.

(b) COSCO and its subsidiaries leased thirteen vessels to COSCON and Shanghai Pan Asia Shipping Company Limited by way of sub-time charter arrangement. In the current year, the sub-time charter agreements of seven vessels were renewed and extended for a term till 30 November 2013. The sub-time charter agreements of another three vessels were terminated the vessel disposals by the vessel owner to the Group. The periods of the remaining three sub-time charters are of twelve years from the contract date. The daily charterhire rate for each vessel was agreed on a mutual basis.

(c) These transactions of revenues and expenses in nature were conducted either (i) based on terms as governed by the nine master agreements and subsisting agreements entered into between the Group and COSCO Group, or (ii) based on terms as set out in the underlying agreements, based on statutory rates or market prices or actual cost incurred, or as mutually agreed between the Group and the parties in concern. In the current year, the master agreements were renewed and extended for a term till 31 December 2013.

(d) On 1 January 2009, the Group acquired from COSCO Group a 51% equity interest in Shipping Agency Qinzhou for a consideration of RMB850,000.

On 27 August 2009, the Company entered into agreements with COSCO Group to acquire the entire equity interests in COSCO Shanghai. Total consideration was RMB232,699,000. The transaction was completed on 31 December 2009.

(e) In 2006 and 2007, the Group entered into ship building contracts with Nantong COSCO KHI Ship Engineering Co., Ltd. ("NACKS") and COSCO Zhoushan, related companies, pursuant to which NACKS and COSCO Zhoushan will construct twenty dry bulk vessels for the Group. Installments are paid in accordance with the payment schedules with reference to the construction progress.

On 15 July 2009, COSCO (Hong Kong) Shipping Co., Ltd. ("COSCO HK Shipping") entered into the cancellation agreement of construction of two aforementioned vessels with COSCO Zhoushan (note 44(l)).

On 20 October 2009, COSCO Bulk entered into the addendum of shipbuilding contracts with COSCO Zhoushan to revise the terms and clauses of the construction of five aforementioned vessels contracts. Constructions of two vessels are postponed and down payments of 5% of contracted amount are kept as the effective payment of the contract. The balance payment prepaid for that two vessels was applied to settle the unpaid installments of the other three vessels under construction, which will be fully settled within three years after the vessels' delivery. These three vessels were delivered to COSCO Bulk in October 2009, January 2010 and May 2010 respectively.

As at 31 December 2010, sixteen (2009: eleven) aforementioned vessels were delivered to the Group.

(f) On 16 July 2009, a subsidiary of COSCO Bulk entered into agreement with PT. COSBULK Indonesia Global Shipping to dispose of a dry bulk vessel at a consideration of US$5,830,000 (equivalent to approximately RMB39,829,000) of which would be settled in first down payment of US$1,030,000 (equivalent to approximately RMB7,037,000) and remaining portion of US$4,800,000 (equivalent to approximately RMB32,792,000) would be settled in 20 installments. In the current year, total proceeds received by the Group amounted to US$960,000 (equivalent to approximately RMB6,501,000).

(g) The purchases of containers from jointly controlled entities of the Group and subsidiaries of CIMC were conducted at terms as set out in the agreements entered into between the Group and the parties in concern.

(h) A subsidiary of COSCO Pacific provided corporate guarantee to an associate in respect of banking facilities of the associate. The Directors consider that it is not probable for a claim to be made against the Group and the fair value of the guarantee contract is not significant to the Group, and has not recognised at the balance sheet date.

44 Significant related party transactions (Continued)

Notes: (Continued)

(i) In 2009, COSCO Pacific, a subsidiary of the Group entered into a sale and purchase agreement to dispose of its entire 20% shareholding interest in Shanghai CIMC Reefer Containers Co., Ltd. ("Shanghai CIMC Reefer"), a then jointly controlled entity, at a consideration of US$16,400,000 (equivalent to approximately RMB112,040,000) to CIMC, an associate. The transaction was completed in January 2009 and resulted in a profit of US$5,516,000 (equivalent to approximately RMB37,684,000).

(j) Port construction fee paid to a non-controlling shareholder of a subsidiary was charged at rates as mutually agreed.

(k) On 13 April 2009, COSCO Bulk entered into the addendum of the shipbuilding contracts with COSCO (Dalian) Shipyard Co., Ltd., which allowed COSCO Bulk to settle the unpaid installments of three vessels within two years after the vessels' delivery. These three vessels were delivered to COSCO Bulk in November 2009, March 2010 and June 2010 respectively.

(l) On 15 July 2009, COSCO HK Shipping and Bright Sea Management Limited entered into the cancellation agreement of construction of six vessels with COSCO Shipyard Group Co., Ltd., together with another two cancellation agreements between COSCO HK Shipping and COSCO (Zhoushan)(note 44(e)). As at 31 December 2009, total deposits paid by the Group for the construction of eight dry bulk vessels amounted to US$122,794,000 (equivalent to approximately RMB838,892,000) of which US$107,154,000 (equivalent to approximately RMB732,044,000) was refunded and US$15,640,000 (equivalent to approximately RMB106,848,000) was applied to settle the progress payments of other vessels under construction.

(m) On 4 November 2010, the Group entered into agreements ("Costar and Coslink Agreements") with COSCO Corporation (Singapore) Limited ("COSCO Singapore"), a fellow subsidiary, to acquire 70% equity interests in Costar Shipping Pte. Ltd. and Coslink (M) Sdn. Bhd. for considerations of SGD10,600,000 and SGD1,050,000 respectively. Completion of Costar and Coslink Agreements is conditional upon several conditions being satisfied or waived on or before the date falling 4 months from the date of Costar and Coslink Agreements or such other date as the parties may mutually agree in writing.

On 3 March 2011, the Group and COSCO Singapore entered into supplemental deeds to extend the completion period by 4 months and amend certain terms of Costar and Coslink Agreements.

(n) The transactions of revenues (mainly including container shipping income and charterhire income) and expenses (mainly including port charges) in nature conducted with government-related entities were based on terms as set out in the underlying agreements, based on statutory rates or market prices or actual cost incurred, or as mutually agreed.

Balances with related parties

Other than those disclosed elsewhere in the Consolidated Financial Statements, the outstanding balance with related entities at year end are as follows:

	2010 RMB'000	2009 RMB'000
Bank deposits		
– state-owned banks (note)	**24,413,816**	23,142,320
Loans		
– state-owned banks (note)	**29,261,092**	30,316,804

Note: The deposits and loans were in accordance with the terms as set out in the respective agreements or as mutually agreed between the parties in concern. The interest rates were set at prevailing market rates. Interest income from deposits with state-owned banks is RMB401,878,000 (2009: RMB247,609,000), interest expenses on loans from state-owned banks is RMB519,302,000 (2009: RMB452,808,000).

45 Significant subsequent events

COSCO Ports (Nansha) Limited ("CP Nansha") was a jointly controlled entity of COSCO Pacific. By virtue of the clause in an agreement entered into by COSCO Pacific and the other shareholder of CP Nansha, the joint control of CP Nansha expired on 31 December 2010 and COSCO Pacific has the power to govern the financial and operating policies of CP Nansha and its subsidiary, Guangzhou South China Oceangate Container Terminal Company Limited, from then onwards. Accordingly, the Group has accounted for CP Nansha as a subsidiary since 1 January 2011 onwards.

In addition to those disclosed in notes 23 and 44(m) and above, there was no other significant subsequent event.

46 Particulars of principal subsidiaries, jointly controlled entities and associates

At 31 December 2010, the Group had the following principal subsidiaries, jointly controlled entities and associates which, in the opinion of the directors, materially affect the results and/or assets of the Group.

(a) Subsidiaries

As at 31 December 2010, the Group had direct and indirect interests in the following principal subsidiaries:

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held directly					
COSCO Container Lines Company Limited #	PRC/Worldwide	Container transportation	Limited liability company	RMB6,088,763,082	100%
COSCO Bulk Carrier Co.,Ltd. #	PRC/Worldwide	Bulk cargo transportation	Limited liability company	RMB6,290,000,000	100%
Qingdao Ocean Shipping Co.,Ltd.	PRC/Worldwide	Provision of passenger and cargo transportation services	Limited liability company	RMB2,214,000,000	100%
Shenzhen Ocean Shipping Company Limited	PRC	Vessel owning and investment holding	Limited liability company	RMB1,195,709,081	100%
COSCO Pacific Investment Holdings Limited #	Hong Kong	Investment holding	Limited liability company	500 ordinary shares of HK$1,000 each	100%
COSCO Logistics Co., Ltd	PRC	Freight forwarding, warehousing, deport and cargo terminal service	Limited liability company	RMB3,183,029,851	100%
Capital held indirectly					
Shanghai Pan Asia Shipping Company Limited #	PRC	Container transportation	Limited liability company	RMB1,259,983,844	100%
Tianjin Binhai COSCO Container Logistics Co., Ltd. #	PRC	Container stack, cargo storage, cargo transportation	Limited liability company	RMB190,000,000	56.10%
Shanghai Ocean Shipping Co., Ltd. #	PRC	Vessel management and manning service	Limited liability company	RMB320,000,000	100%
COSCO International Freight Co., Ltd.	PRC	Freight forwarding and transportation	Limited liability company	RMB200,000,000	100%
COSCO Container Shipping Agency Company Limited	PRC	Shipping agency	Limited liability company	RMB80,000,000	100%
COSCO Southern China International Freight Co., Ltd.	PRC	Freight forwarding	Limited liability company	RMB50,000,000	100%
Shanghai COSCON Development Co., Ltd.	PRC	Container stack, cargo storage, cargo transportation	Limited liability company	RMB403,000,000	100%
COSCO Container Line Agencies Limited #	Hong Kong	Shipping agency	Limited liability company	1,000,000 shares of HK$1 each	100%
COSCO Container Lines Europe GmbH #	German/Europe	Shipping agency	Limited liability company	EURO1,500,000	100%
COSCO Container Lines Japan Co., Ltd.	Japan	Marine services	Limited liability company	JPY40,000,000	100%

46 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held indirectly (Continued)					
COSCO Container Lines Americas, Inc.	United States of America	Shipping agency	Limited liability company	1,000 ordinary shares of US$0.01 each	100%
COSCO (Cayman) Mercury Co., Ltd. #	Cayman Islands/ Hong Kong	Investment holding	Limited liability company	50,000 ordinary shares of US$1 each	100%
Five Star Shipping & Agency Company Pty Limited	Australia	Shipping agency, freight forwarding and other international sea transport services	Limited liability company	AUD100,000	100%
Tianjin Ocean Shipping Co., Ltd.	PRC	Bulk cargo transportation and investment holding	Limited liability company	RMB868,581,699	100%
COSCO Bulk Carrier Holdings (Cayman) Limited #	Cayman Islands/ Singapore	Investment holding	Limited liability company	US$ 50,000	100%
COSCO Europe Bulk Shipping GmbH #	Hamburg, Germany/ Worldwide	Vessel chartering	Sino-foreign equity joint venture	EUR 500,000	50%
COSCO Bulk Carrier Americas Inc.	Delaware, America/ Worldwide	Vessel chartering	Sino-foreign equity joint venture	US$ 500,000	51%
COSCO Oceania Chartering Pty Ltd	New South Wales, Australia/ Worldwide	Vessel chartering	Sino-foreign equity joint venture	AUD 20,002	51%
COSCO (Qingdao) Investment Holding Co., Ltd.	RPC	Business management, house leasing, Investment holding	Limited liability company	RMB239,000,000	100%
Golden View Investment Limited #	British Virgin Islands/ Hong Kong	Investment holding	Limited liability company	2 ordinary shares of US$1 each	100%
COSCO (Hong Kong) Shipping Co., Ltd. #	Hong Kong	Provision of agency and management services	Limited liability company	3 ordinary shares of HK$1 each	100%
COSCO Pacific Limited #	Bermuda	Investment holding	Limited liability company	2,711,525,573 of HK$ 0.1 each	42.72%
COSCO Investments Limited #	British Virgin Islands/ Hong Kong	Investment holding	Limited liability company	1 ordinary share of US$1 each	100%
Quan Zhou Pacific Container Terminal Co., Ltd.	PRC	Operation of terminal	Limited liability company	US$49,900,000	71.43%
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	PRC	Operation of container terminal	Limited liability company	US$36,800,000	51%
Yangzhou Yuanyang International Ports Co., Ltd.	PRC	Operation of terminal	Limited liability company	US$61,500,000/ US$48,140,000	55.59%
Jinjiang Pacific Ports Development Co., Ltd.	PRC	Operation of terminal	Limited liability company	US$49,900,000	34.18%

Notes to the Consolidated Financial Statements

46 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest to the equity holders of the Company
Capital held indirectly (Continued)					
Xiamen Ocean Gate Container Terminal Co., Ltd.	PRC	Operation of container terminal	Limited liability company	RMB419,055,000	29.90%
Piraeus Container Terminal S.A. #	Greece	Operation of container terminal	Limited liability company	EURO34,500,000	100%
Florens (China) Company Limited #	PRC	Container leasing and resale of old containers	Limited liability company	US$12,800,000	100%
Bright Sea Management Limited #	British Virgin Islands/ Hong Kong	Investment holding	Limited liability company	1 ordinary share of US$1 each	100%
COSCO Diamond Limited #	Hong Kong	Treasury	Limited liability company	2,000 shares of US$1 each	100%
COSCO International Air Freight Co., Ltd	PRC	Air freight forwarding	Limited liability company	RMB48,417,396	100%
COSCO Logistics (Shanghai) Distribution Co., Ltd.	PRC	Logistics	Limited liability company	RMB13,000,000	100%
COSCO Logistics Warehousing & Distribution Co., Ltd.	PRC	Logistics	Limited liability company	RMB113,880,675	100%
China Ocean Shipping Agency Company Limited	PRC	Shipping Agency and freight forwarding	Limited liability company	RMB113,372,000	100%
COSCO Supply Chain Management Co., Ltd.	PRC	Logistics	Limited liability company	RMB63,150,000	100%
COSCO Chemical Logistics (Shanghai) Co., Ltd.	PRC	Logistics	Limited liability company	RMB81,701,621	100%
COSCO Logistics (Guangzhou) Heavy Transportation Co.,Ltd.	PRC	Logistics	Limited liability company	RMB125,000,000	88%
COSCO Logistics (Hong Kong) Company Limited	PRC	Logistics	Limited liability company	HK$38,789,500	100%

Subsidiaries audited by PricewaterhouseCoopers

Notes to the Consolidated Financial Statements

46 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(b) Jointly controlled entities

As at 31 December 2010, the Company had indirect interests in the following principal jointly controlled entities:

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest held by the Group
Ningbo Yuan Dong Terminals Ltd.	PRC	Operation of container terminal	Sino-foreign joint venture	RMB390,000,000	8.54%
Tianjin Port Euroasia International Container Terminal Co.,Ltd.	PRC	Operation of container terminal	Sino-foreign joint venture	RMB1,260,000,000	12.82%
Qingdao Qianwan Container Terminal Co., Ltd. #	PRC	Operation of container terminal	Sino-foreign joint venture	US$230,000,000	8.54%
COSCO-PSA Terminal Private Limited	Singapore	Operation of container terminal	Limited liability company	SGD48,900,000	20.93%
Nanjing Port Longtan Container Co., Ltd.	PRC	Operation of container terminal	Limited liability company	RMB937,470,000	8.54%
Shanghai Pudong International Container Terminals Limited	PRC	Operation of container terminal	Sino-foreign joint venture	RMB1,900,000,000	12.82%
C & I Shipholding S.A.	Panama	Vessel owning and chartering	Limited liability company	US$15,600,000	60%
Tianjin YuanHua Shipping Co., Ltd	PRC	Cargo transportation and vessel chartering	Limited liability company	RMB 360,000,000	56.17%
COSCO Ports (Nansha) Limited #	British Virgin Islands/PRC	Investment in a container terminal	Limited liability company	US$10,000	28.24%
Shanghai Ocean Hotel Co.,Ltd.	RPC	Hotel dinning	Limited liability company	RMB313,720,000	58.07%

46 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(c) Associates

As at 31 December 2010, the Company had indirect equity interests in the following principal associates:

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up share capital	Attributable equity interest held by the Group
COSCO Finance Co., Ltd.	PRC	Banking and related financial services	Limited liability company	RMB800,000,000	36.82%
China Ocean Shipping Agency Tianjin Company	PRC	Shipping agency	Limited liability company	RMB101,220,000	40%
China International Marine Containers (Group) Co., Ltd. ("CIMC")	PRC	Container manufacturing	Limited liability company	RMB2,662,396,051 (1,231,917,342 "A" shares and 1,430,478,709 "B" shares), all of RMB1 each	9.31%
Dalian Port Container Terminal Co., Ltd.	PRC	Operation of container terminal	Limited liability company	RMB240,000,000	8.54%
Suez Canal Container Terminal S.A.E.	Egypt	Operation of container terminal	Limited liability company	1,375,000 ordinary shares of US$ 100 each	8.54%
Dawning Company Limited	British Virgin Islands/PRC	Investment holding	Limited liability company	200 "A" shares of US $1 each and 800 "B" shares of US $1 each	8.54%
Wattrus Limited	British Virgin Islands/PRC	Investment holding	Limited liability company	32 "A" shares of US$1 each and 593 "B" shares of US$1 each	2.19%
Sigma Enterprises Ltd.	British Virgin Islands/PRC	Investment holding	Limited liability company	2,005 "A" shares of US$1 each and 8,424 "B " shares of US$1 each	7.04%

Notes:

(i) The English names of certain subsidiaries, jointly controlled entities and associates referred to in the Consolidated Financial Statements represent management's best efforts at translating the Chinese names of these companies as no English names have been registered.

(ii) Although the Group held less than 50% or 20% effective equity interests in some subsidiaries and associates as disclosed above, respectively, the Group owns indirectly, through its non-wholly owned subsidiaries, more than 50% of the voting power of those subsidiaries and more than or equal to 20% of the voting power of those associates.

(iii) Although the Group's equity interests in some jointly controlled entities as disclosed above are more than 50%, the Group does not have unilateral control over these jointly controlled entities.

47 Comparatives

Certain comparative figures have been reclassified to conform to the current year's presentation.

Five Year Financial Summary

For the year ended 31 December 2010

	For the year ended 31 December				
	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**96,438,544**	68,462,154	131,838,916	112,232,794	78,856,254
Profit /(loss) before income tax	**9,273,602**	(6,213,500)	15,670,552	26,112,562	11,483,130
Income tax expenses	**(1,189,030)**	(450,586)	(2,973,856)	(4,825,751)	(2,008,565)
Profit /(loss) for the year	**8,084,572**	(6,664,086)	12,696,696	21,286,811	9,474,565
Profit /(loss) attributable to:					
- Equity holders of the Company	**6,858,465**	(7,467,812)	11,606,134	19,481,867	8,292,447
- Non-controlling interests	**1,226,107**	803,726	1,090,562	1,804,944	1,182,118
	8,084,572	(6,664,086)	12,696,696	21,286,811	9,474,565

	As at 31 December				
	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**149,541,815**	137,741,303	120,010,202	117,359,805	81,709,155
Total liabilities	**(88,565,978)**	(85,156,488)	(58,103,803)	(60,203,320)	(38,302,526)
Total equity	**60,975,837**	52,584,815	61,906,399	57,156,485	43,406,629

Notes:

(a) The financial figures for the year 2009 and 2010 were extracted from the 2010 Consolidated Financial Statements.

(b) The financial figures for the year 2006 to 2008 were extracted from the 2009 annual report. No retrospective adjustments for the common control combinations in 2009 were made on the financial figures for the year 2006 to 2007.

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