STOCK CODE: 00517

International

ADAPTABLE AND INNOVATIVE WITH PROFOUND VISION


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FUEL

CONTENTS

DEFINITIONS AND GLOSSARY

"associate(s)"	has the meaning ascribed to it in the Listing Rules;
"Board"	the board of Directors;
"CITC"	中遠國際貿易有限公司 (COSCO International Trading Company Limited*), a wholly-owned subsidiary of the Company;
"connected person(s)"	has the meaning ascribed to it in the Listing Rules;
"COSCO"	中國遠洋運輸（集團）總公司 (China Ocean Shipping (Group) Company*), the ultimate holding company of the Company;
"COSCO Group"	COSCO and its subsidiaries and associates;
"COSCO Hong Kong"	COSCO (Hong Kong) Group Limited, the intermediate holding company of the Company which is wholly-owned by COSCO;
"COSCO Insurance Brokers"	collectively, HK COSCO Insurance Brokers and SZ COSCO Insurance Brokers;
"COSCO International" or "Company"	COSCO International Holdings Limited, the shares of which are listed on the Stock Exchange;
"COSCO Kansai Companies"	collectively, COSCO Kansai (Tianjin), COSCO Kansai (Shanghai) and COSCO Kansai (Zhuhai);
"COSCO Kansai (Shanghai)"	中遠關西塗料化工（上海）有限公司 (COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd.*), a non-wholly owned subsidiary of the Company;
"COSCO Kansai (Tianjin)"	中遠關西塗料化工（天津）有限公司(COSCO Kansai Paint & Chemicals (Tianjin) Co., Ltd.), a non-wholly owned subsidiary of the Company;
"COSCO Kansai (Zhuhai)"	中遠關西塗料化工（珠海）有限公司(COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd.), a non-wholly owned subsidiary of the Company;
"COSCO Ship Trading"	COSCO International Ship Trading Company Limited, a wholly-owned subsidiary of the Company;
"dead weight tonnages"	the unit of measurement of weight capacity of vessels, which is the total weight (usually in metric tonnes) the ship can carry, including cargo, bunkers, water, stores, spares, crew, etc. at a specified draft;
"Directors"	the directors of the Company;
"Double Rich"	Double Rich Limited, an associate of the Company;
"Group"	the Company and its subsidiaries;
"HK COSCO Insurance Brokers"	COSCO (Hong Kong) Insurance Brokers Limited, a wholly-owned subsidiary of the Company;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;

“hull and machinery co-insurance”	the hull and machinery insurance of a vessel or a fleet being covered by more than one insurance company, having a claims leader whose decisions shall be binding on the rest of the participating insurers;
“Jotun COSCO”	Jotun COSCO Marine Coatings (HK) Limited, the 50/50 joint venture formed by the Company and the international coating producer Jotun A/S;
“kidnap and ransom insurance”	insurance against ransom paid by the shipowner to pirates for the release of a hijacked vessel and her crew;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“loss of hire insurance”	insurance against loss of ship’s hire arising from marine casualties damages or from hijacking by pirates;
“PRC”	the People’s Republic of China, which for the purpose of this annual report, excluding Hong Kong, Macau Special Administrative Region and Taiwan;
“Shanghai Yuantong”	遠通海務貿易（上海）有限公司 (Yuantong Marine Trade (Shanghai) Co., Ltd.*) (formerly known as 香麗園（上海）物業管理有限公司 Xiang Li Yuan (Shanghai) Property Management Co., Ltd.), a wholly-owned subsidiary of the Company;
“Share(s)”	the share(s) of HK$0.10 each in the capital of the Company;
“Shareholders”	the holders of the Share(s) of the Company;
“Shin Chung Lin”	新中鈴株式會社 (Shin Chung Lin Corporation*), a wholly-owned subsidiary of the Company;
“Sinfeng”	Sinfeng Marine Services Pte. Ltd., a wholly-owned subsidiary of the Company;
“SOLHL”	Sino-Ocean Land Holdings Limited, the shares of which are listed on the Stock Exchange;
“SOLL”	Sino-Ocean Land Limited, a wholly-owned subsidiary of SOLHL;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules;
“SZ COSCO Insurance Brokers”	深圳中遠保險經紀有限公司 (Shenzhen COSCO Insurance Brokers Limited*), a non-wholly owned subsidiary of the Company;
“TEU”	Twenty-foot equivalent unit, a standard unit of measurement of the volume of a container with a length of 20 feet, width of 8 feet and height of 8 feet and 6 inches. A forty-foot equivalent unit equals two twenty-foot equivalent units while both of them are the common units in measuring containers;
“Xing Yuan”	Xing Yuan (Singapore) Pte. Ltd., a wholly-owned subsidiary of the Company ;
“Yuantong”	Yuantong Marine Service Co. Limited, a wholly-owned subsidiary of the Company.

**for identification purpose only*

COMPANY INFORMATION

DIRECTORS

Executive Directors

Mr. Zhang Fusheng *(Chairman)*
Mr. Wang Futian *(Vice Chairman)*
Mr. Liang Yanfeng
Mr. Wang Xiaodong *(Managing Director)*
Mr. Lin Wenjin

Non-executive Directors

Mr. Jia Lianjun
Mr. Meng Qinghui
Mr. Chen Xuewen

Independent Non-executive Directors

Mr. Kwong Che Keung, Gordon
Mr. Tsui Yiu Wa, Alec
Mr. Jiang, Simon X.

COMPANY SECRETARY

Ms. Chiu Shui Suet

QUALIFIED ACCOUNTANT

Mr. Lo Siu Leung, Tony

AUDIT COMMITTEE

Mr. Kwong Che Keung, Gordon *(Committee Chairman)*
Mr. Tsui Yiu Wa, Alec
Mr. Jiang, Simon X.

EXECUTIVE COMMITTEE

Mr. Wang Xiaodong *(Committee Chairman)*
Mr. Wang Futian
Mr. Liang Yanfeng
Mr. Lin Wenjin

INVESTMENT COMMITTEE

Mr. Liang Yanfeng *(Committee Chairman)*
Mr. Wang Futian
Mr. Wang Xiaodong
Mr. Lin Wenjin

NOMINATION COMMITTEE

Mr. Tsui Yiu Wa, Alec *(Committee Chairman)*
Mr. Kwong Che Keung, Gordon
Mr. Jiang, Simon X.
Mr. Wang Xiaodong

REMUNERATION COMMITTEE

Mr. Jiang, Simon X. *(Committee Chairman)*
Mr. Kwong Che Keung, Gordon
Mr. Tsui Yiu Wa, Alec
Mr. Wang Xiaodong
Mr. Lin Wenjin

RISK MANAGEMENT COMMITTEE

Mr. Wang Xiaodong *(Committee Chairman)*
Mr. Wang Futian
Mr. Liang Yanfeng

INDEPENDENT AUDITOR

PricewaterhouseCoopers

LEGAL ADVISERS

Woo Kwan Lee & Lo
Sit, Fung, Kwong & Shum
Conyers Dill & Pearman

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Company Limited
China Merchants Bank Company Limited
Industrial and Commercial Bank of China (Asia) Limited
Mizuho Corporate Bank, Limited
The Hongkong and Shanghai Banking Corporation Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Ordinary share (Stock code: 00517)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

47th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

INVESTOR RELATIONS

Telephone	: (852) 2809 7888
Facsimile	: (852) 8169 0678
Website	: www.coscointl.com
E-mail	: info@coscointl.com

FINANCIAL CALENDAR

2010 Annual General Meeting	: 1st June 2010
Announcement of 2010 Interim Results	: 30th August 2010
Announcement of 2010 Annual Results	: 24th March 2011
2011 Annual General Meeting	: 9th June 2011

DIVIDENDS

2010 Interim Dividend	: 2.00 HK cents per share
Proposed 2010 Final Dividend	: 3.00 HK cents per share
Proposed 2010 Special Dividend	: 35.00 HK cents per share
Total Dividends for 2010	: 40.00 HK cents per share

CORPORATE PROFILE

The Group is principally engaged in the provision of shipping services. Other business operations are general trading and property investments.

The shares of COSCO International have been listed on the Main Board of the Stock Exchange since February 1992 under the stock code of 00517. The Company has become a subsidiary of COSCO Hong Kong since July 1997 which in turn is a wholly-owned subsidiary of COSCO. COSCO Group is a diversified and multinational conglomerate focusing mainly on shipping, logistics and shipbuilding and ship repairing businesses with a leading position in the world. COSCO Group is engaged in the provision of quality services in shipping, logistics and shipbuilding and ship repairing, as well as other ship related businesses to all customers around the world.

COSCO International has positioned shipping services as its core business. The Company has laid a platform of shipping services comprising ship trading agency, marine insurance brokerage, supply of marine equipment and spare parts, production and sale of coatings as well as trading and supply of marine fuel and related products, offering diversified and specialised shipping related services or products to customers such as shipping companies, shipyards and container manufacturers etc. Its businesses and services network cover China Mainland and Hong Kong, Singapore, Japan and other major fueling ports worldwide.

VISION

COSCO International's vision is to provide quality and professional services for fleets in China and worldwide, through the establishment of a comprehensive, safe, reliable and efficient shipping services supply platform. Our aim is to become a specialised, unique and leading shipping services provider.

MISSION

By virtue of the support of COSCO Group and leveraging on its substantial resources, COSCO International's mission is to maximise the Shareholders' returns. By securing trustworthy and harmonious relationships with its customers, business partners and employees, COSCO International will pursue sustainable growth and maintain its leading position in the shipping services industry.

CORPORATE STRUCTURE

Ship Trading Agency Services
- COSCO International Ship Trading Company Limited 100%

Marine Insurance Brokerage Services
- COSCO (Hong Kong) Insurance Brokers Limited 100%

Supply of Marine Equipment and Spare Parts
- Yuantong Marine Service Co. Limited 100%

Production and Sale of Coatings
- 中遠關西塗料化工（珠海）有限公司 COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd. 64.71%
- 中遠關西塗料化工（天津）有限公司 COSCO Kansai Paint & Chemicals (Tianjin) Co., Ltd. 63.07%
- 中遠關西塗料化工（上海）有限公司 COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd. 63.07%
- Jotun COSCO Marine Coatings (HK) Limited 50%

Trading and Supply of Marine Fuel and Related Products
- Sinfeng Marine Services Pte. Ltd. 100%
- Double Rich Limited 18%

General Trading
- 中遠國際貿易有限公司 COSCO International Trading Company Limited 100%

Note 1
COSCO is the ultimate holding company of COSCO International. It operates a fleet of about 800 modern commercial vessels with a total carrying capacity of about 57,680,000 dead weight tonnages.

Note 2
COSCO International is a subsidiary of COSCO Hong Kong. COSCO Hong Kong is an important overseas regional headquarter and conglomerate of COSCO Group which operates and manages a few hundred subsidiaries in Hong Kong, Macau and China Mainland. The main business aspects of COSCO Hong Kong include shipping services, expressways, information technology, industries, freight services and property management, etc.

Note 3
On 16th December 2010, COSCO International announced the disposal of its 16.85% equity interests in SOLHL through placing agent(s). The disposal was completed on 21st December 2010.

SOLID OPERATIONS

To achieve a sustainable, steady and healthy development, the Group requires a comprehensive, effective and highly transparent corporate governance system in place. Not only will it increase the overall value of the Company, but will also enhance the attractiveness to investors, create wealth and protect the interests of the Shareholders.

FINANCIAL HIGHLIGHTS

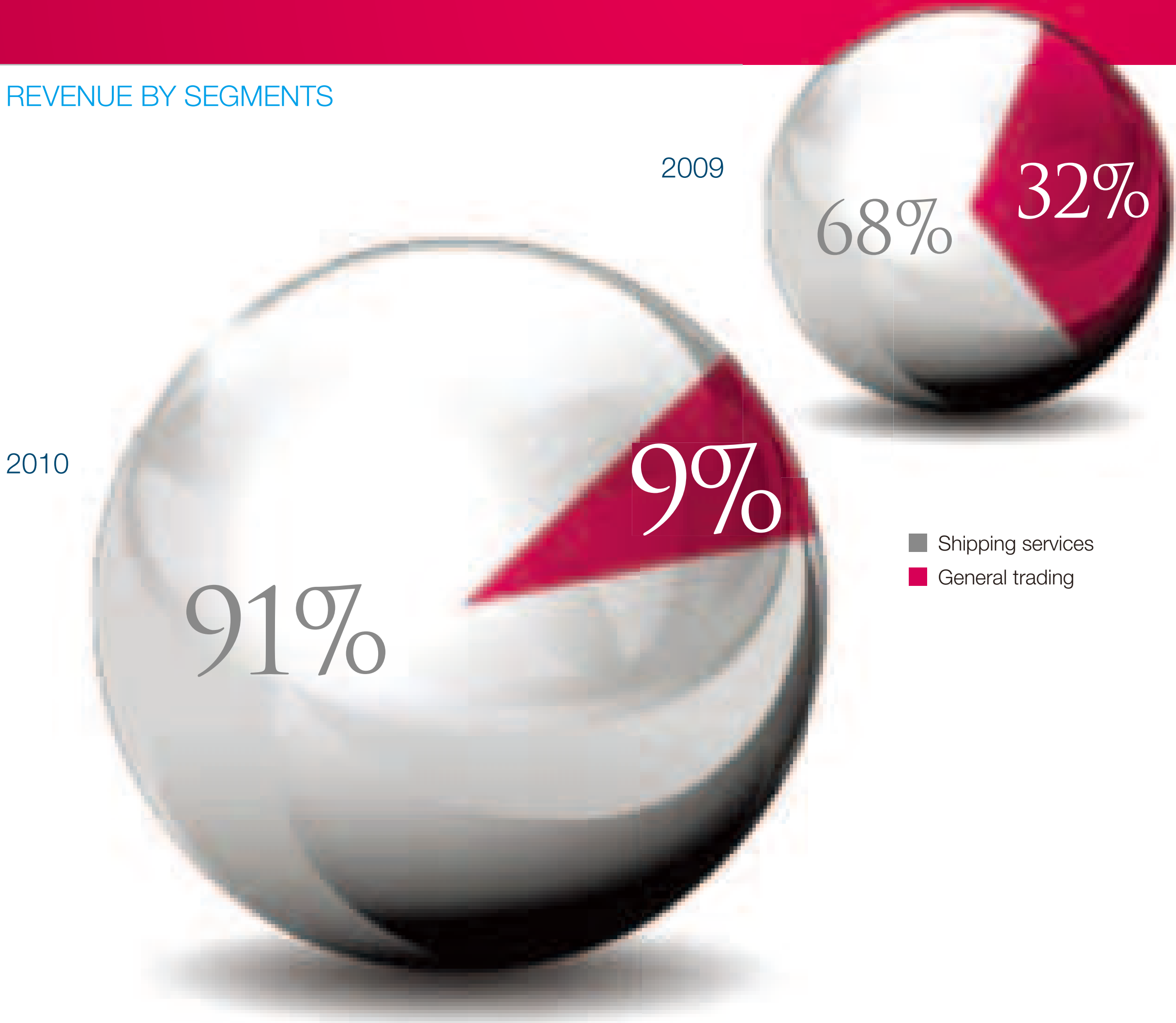
	2010 HK$'000	2009 HK$'000	% Change
ANNUAL RESULTS HIGHLIGHTS			
For the year ended 31st December			
Revenue	**8,666,901**	1,630,055	432%
Gross profit	**715,176**	422,984	69%
EBITDA	**818,854**	634,790	29%
Operating profit	**293,969**	186,831	57%
Profit before income tax	**1,358,752**	904,983	50%
Profit attributable to the equity holders	**1,268,600**	843,675	50%
Profit attributable to the equity holders, excluding profit contribution from SOLHL, net loss/gain on deemed disposal of partial interest in SOLHL and gain on disposal of SOLHL	**287,144**	243,907	18%
Basic earnings per share (HK cents)	**83.97**	56.25	49%
Dividends per share (HK cents)	**40.00**	9.40	326%

	2010	2009
KEY FINANCIAL RATIOS		
For the year ended and as at 31st December		
Gross profit margin	**8.3%**	25.9%
Interest coverage	**89.0 times**	78.7 times
Current ratio	**4.7 times**	2.4 times
Liquidity ratio	**4.4 times**	2.0 times
Total liabilities/total assets	**19.6%**	11.9%
Total borrowings/total assets	**2.2%**	0.2%

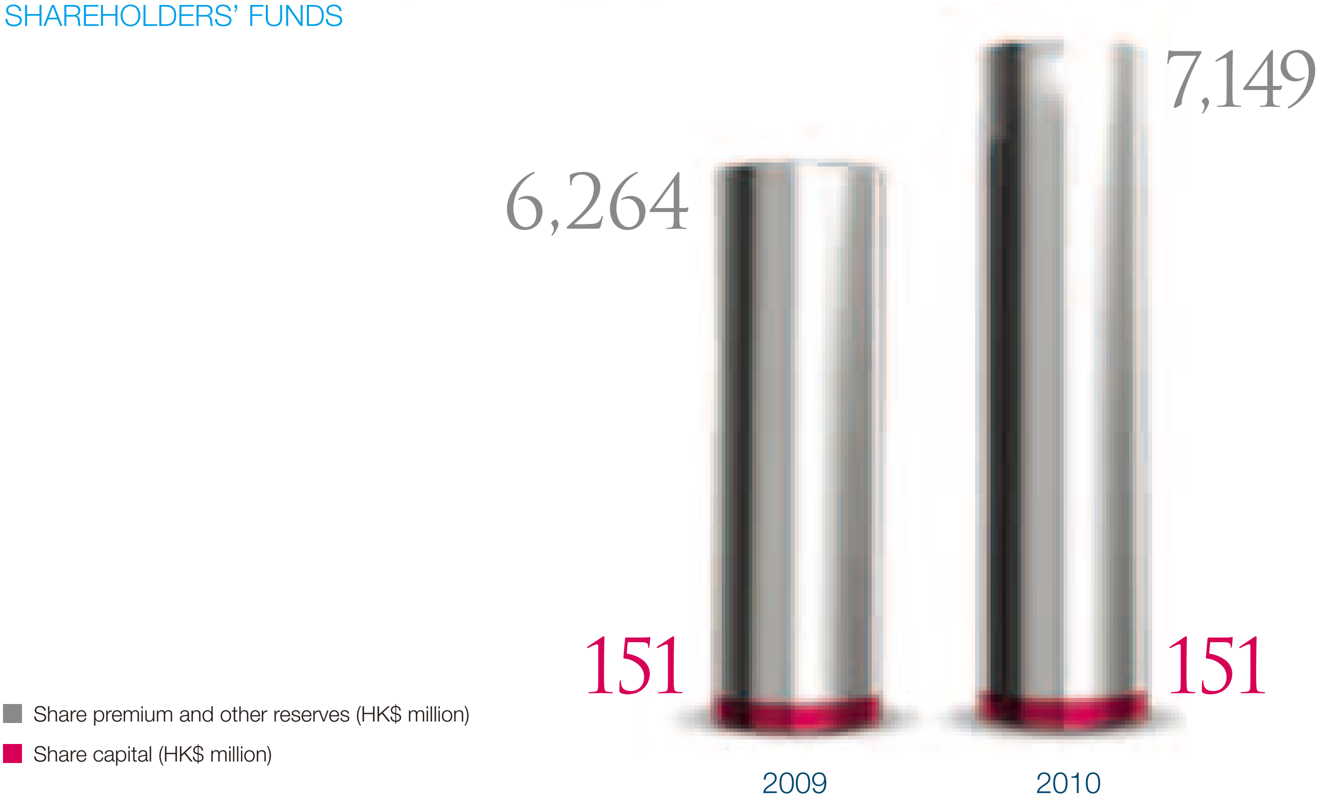
	2010 HK$'000	2009 HK$'000	% Change
SEGMENT REVENUE*			
For the year ended 31st December			
Sale of coatings	**1,291,817**	399,971	223%
Sale of marine equipment and spare parts	**597,386**	444,334	34%
Commission income from ship trading agency	**159,034**	151,564	5%
Commission income from insurance brokerage	**78,026**	67,140	16%
Sale of marine fuel and other products	**5,758,556**	45,565	12538%
Sale of asphalt and other products	**780,890**	515,340	52%
Sale of properties	**130**	4,997	-97%
Rental income	**1,062**	1,144	-7%
TOTAL	**8,666,901**	1,630,055	432%

**external customers only*

REVENUE BY SEGMENTS



SHAREHOLDERS' FUNDS



18 February

Shin Chung Lin was incorporated in Japan. It is mainly engaged in the business of sales and installation of marine equipment and spare parts for vessels and related services including marine transportation and sales, exporting and importing of raw materials and products

24 March

Press conference and analyst presentation for 2009 annual results were held in Hong Kong

25 March

Awarded with the Caring Company Logo by The Hong Kong Council of Social Service for the second time which recognised the Company's contribution to society

11 August

Mr. Li Jianhong and Mr. Wang Xiaoming resigned as a Non-executive Director and an Executive Director respectively

16 August

Announced the seeking of Shareholders' approval in advance to authorise the Directors to dispose of shares of SOLHL at any time during the twelve months from the date of the special general meeting of the Company approved on 30th September 2010

30 August

Press conference and analyst presentation for 2010 interim results were held in Hong Kong

22 November

The Board and the Chairman, Mr. Zhang Fusheng, honoured with the "Directors of the Year Awards 2010" in the collective board category and the individual director category of listed companies (SEHK – Non Hang Seng Index Constituents) by the Hong Kong Institute of Directors respectively, which recognised the Company's excellent corporate governance

31 May

Announced an acquisition of 100% issued share capital of Xing Yuan to expand the supply of marine equipment and spare parts business in Singapore and the acquisition was approved at the special general meeting of the Company held on 20th July 2010

1 June

2010 annual general meeting of the Company was held in Hong Kong

16 September

2009 Annual Report won the Bronze Awards for "Chairman's Statement" and "Financial Data" in the shipping services category of the 24th International ARC Awards Competition

14 October

2009 Annual Report won the Silver Awards for both categories of "Annual Report: Shipping Services" and "Design: Annual Report – International & Traditional – over 157 pages" in the 21st International GALAXY Awards Competition

15 December

The Company's website won the Bronze Award in the category of "Investor/ Shareholder Relations" and the Honors Awards in the category of "Home page" in the 10th Anniversary International iNOVA Awards Competition

16 December

Announced the disposal of entire shareholdings held by the Group in SOLHL (equivalent to 949,937,399 shares) through placing agent(s) at a price of HK$5.60 per share to independent third parties. The disposal was completed on 21st December 2010

17 December

Won the Gold Award for Social Responsibility and Investor Relations in the Corporate Awards 2010 organised by The Asset, a renowned financial magazine in Asia

CHAIRMAN'S STATEMENT

In 2010, the global economy gradually recovered but at a slow pace. Despite the existence of market uncertainties, international trade volume regained growth momentum. The international shipping market bottomed out with volatility. The market performance of different types of vessels varied and the regional development was imbalanced. Confronted with the challenges and risk of increasing uncertainties of the global economic recovery and the complex market situation, all the employees led by the management team of COSCO International reacted proactively with strict risk control and innovative operations and services. Through seizing opportunities and striving for profitability, and creating and competing with every effort, a comprehensive development of operational management and new breakthrough in business development were achieved.

OVERALL RESULTS AND BUSINESS EXPLORATION

The Company's profit attributable to the equity holders reached HK$1,268,600,000, representing an increase of 50% from 2009. Excluding disposal gain as a result of disposal of its entire shareholdings in SOLHL, net loss on deemed disposal of partial interest in an associate as a result of new shares issued by SOLHL and share of profit of SOLHL, profit attributable to the equity holders increased by 18% to HK$287,144,000. Basic earnings per share was 83.97 HK cents, up 49% as compared with 2009. The Group's total revenue for the year was HK$8,666,901,000. The Board proposed a final dividend of 3.00 HK cents per share and a special dividend of 35.00 HK cents per share for 2010. Together with the interim dividend of 2.00 HK cents per share, total dividends for 2010 was 40.00 HK cents per share.

For business exploration and development, the Group has kept focusing on its strategic development positioning in shipping services, thus continuing to expand the scope of its core business. During the year, the Group successfully expanded the business of supply of marine spare parts overseas and set up new footing in China Mainland. It successfully completed the acquisition of 100% equity interest in Xing Yuan, and established Shin Chung Lin in Japan. The Group also expanded and changed the scope of business of Shanghai Yuantong. These have given fresh impetus to the development of the Group's businesses and will provide considerable contribution to the revenue and profit of the Group. In addition, the disposal of its entire shareholdings in SOLHL during the year was also an important decision of the Group to gradually divest of its non-core business and to concentrate its resources on the development of the core shipping services business.

CORPORATE GOVERNANCE AND RISK CONTROL

To achieve a sustainable, steady and healthy development, the Group requires a comprehensive, effective and highly transparent corporate governance system in place. Not only will it increase the overall value of the Company, but will also enhance the attractiveness to investors, create wealth and protect the interests of the Shareholders. The Group strictly adheres to the relevant laws and regulations and regularly reviews and enhances its corporate governance practices and information disclosure in order to enhance its corporate governance. During the year, it strengthened its corporate governance based on its existing system by optimising its Regulations for Connected Transaction Management. Moreover, the Group put emphasis on learning and making use of new theories and knowledge, and also paid attention to balancing the interests of various stakeholders. It strived to analyse the existing problems of its governance and implement effective measures to reduce the potential risks.

The Group also focuses seriously on risk management. It regularly reviews its operational system to identify any weaknesses. Moreover, it promotes integrity in the working environment and increases the management's awareness of risk control through training so that crisis can be immediately kept under control when they arise. In view of the complex market situation, the Group carried out effective measures during the year to monitor particularly the risks of trade receivables and foreign exchange of each subsidiary of the Group, thus ensuring the overall healthy and steady development of the Group's operations.

AWARDS

The Company's efforts in various aspects such as enhancing corporate governance, strengthening operational management and performing its corporate social responsibility have gained recognition from social organisations and relevant institutions. During the year, the Board was once again presented with the "Directors of the Year Awards 2010" in the collective board category of listed companies (SEHK – Non Hang Seng Index Constituents) by the Hong Kong Institute of Directors, which represented a recognition for the Company's efforts in strengthening its corporate governance; and I also felt honoured for receiving an award in the individual director category as well. COSCO International's 2009 annual report respectively won two bronze awards in the categories of "Chairman's Letter: Shipping Services" and "Financial Data: Shipping Services" of the 24th International ARC Awards Competition, which represented that the disclosure and production of the Company's annual report was recognised by the market. It also won the Silver Awards for both categories of "Annual Report: Shipping Services" and "Design: Annual Report – International & Traditional - over 157 pages" in the 21st GALAXY Awards. The Company's website won the Bronze Award in the category of "Investor/ Shareholder Relations" and the Honours Awards in the category of "Home page" in the 10th Anniversary International iNOVA Awards Competition. In addition, the Company was also presented with the "Corporate Awards 2010 - Gold Award for Social Responsibility and Investor Relations" by The Asset, an international financial magazine. The Company's efforts in actively enhancing its corporate governance level, strengthening investor relations and fulfilling its social responsibilities were recognised by the capital market.

OUTLOOK AND PROSPECTS

In 2011, many international institutions have anticipated that driven by the robust growth of the emerging economies, the global industrial output and the total international trade volume will gradually return to the level before the international financial crisis. Despite uncertainties and risks lingering on and long way to a full recovery, the global economy is in the process of slow but sustainable growth, and China will still be a significant driver for the global economic growth. In 2011, China will implement a proactive fiscal policy and a prudent monetary policy, which in particular actively and properly deal with the relationship between steady economic growth, economic structure adjustment and inflation inhibition, to accelerate the strategic adjustment in the economic structure. It is expected that the overall economy in China will continue to go through a period of steady growth, and the overall market trend is still favourable.

As 2011 is the first year of the Twelfth Five-year Plan of the PRC, there are both opportunities and risks in the market. The Group will persist in implementing its established development strategies and adhere to the scientific outlook on development. Upon properly understanding the market situation, the Group will carefully plan the counter-measures to seize favourable opportunities by adapting to the economic trends, and strongly innovate its development model, thus achieving a flying leap in its development. With the support of COSCO and COSCO Hong Kong, the Group will actively explore business opportunities within and outside COSCO Group. We will make use of the advantage of the existing core businesses to actively expand to the upstream and downstream industries by cultivating our existing businesses bigger and stronger through strengthened operation and management. We will actively seek investment opportunities in the related businesses while paying attention to innovating our operating model and the latest technological development. The Group will further consolidate and expand its core business through a series of measures, thereby increasing its core competitiveness and developing into an international shipping services provider to create higher returns to the Shareholders.

With the support of COSCO Group and the dedication and motivation of the management and all employees, I am fully confident of the future development of COSCO International. I would like to take this opportunity to express my sincere respect to our shareholders and business partners for their continued support and heartfelt gratitude to all members of the Board and the employees for their diligent services.

ZHANG Fusheng
Chairman
Hong Kong, 24th March 2011

VICE CHAIRMAN'S STATEMENT

In 2010, the Group adhered to the guiding principles of "seizing opportunities, streamlining management, grabbing market share, striving for returns and exploring development", and achieved satisfactory operating results and made working accomplishments by closely tapping the opportunities arising from the economic recovery of the post-financial crisis era to gain market share, create profitability and develop its business after carefully evaluating the market situation.

PERFORMANCE AND DEVELOPMENT OF THE CORE BUSINESS

During the year, each of the Group's core shipping services business achieved a steady growth by taking advantage of the market situation of the post-financial crisis era with strict risk control and proactive and innovative operation. In general, revenue from the shipping services was HK$7,885,881,000, up 611% from 2009. Segment profit before income tax from shipping services increased by 26% from 2009. The performances of each business units are as follows:

For ship trading agency services, the Group overcame various unfavourable factors. It carried out a great deal of coordination with shipowners and shipyards, thus ensuring most of the new build vessel orders in hand to be delivered as scheduled and the revenue to be accounted for. The exploration of the second-hand vessel business was a complement to a certain extent. In general, segment revenue from ship trading agency increased by 5% year-on-year and segment profit before income tax increased by 9% from 2009. For marine insurance brokerage services, the Group was under pressure from both insurance companies and shipowners. The Group consolidated the existing customers, actively developed the co-insurance business for vessels registered in China and successfully secured and maintained customers outside COSCO Group through innovative services, careful operation and provision of new value-added service and new products. In view of the rampant piratic activities, the Group provided various customers with the kidnap and ransom insurance service which provided a new source of profit growth. In general, the business volume of various insurances increased. Segment revenue from marine insurance brokerage increased by 16% year-on-year and segment profit before income tax increased by 21% from 2009. For supply of marine equipment and spare parts, business operation and consolidation progressed in tandem. In addition to the existing outlets in Hong Kong and Beijing etc., the Group established Shin Chung Lin in Japan, acquired Xing Yuan in Singapore and expanded the business scope of Shanghai Yuantong, thus initially building up a spare part business platform in scale, and laying a good foundation for further expansion and business development. For business operation, the Group strengthened cooperation with suppliers and exploration and maintenance of customers to achieve steady growth. In general, segment revenue from the supply of marine equipment and spare parts increased by 35% year-on-year and segment profit before income tax increased by 29% from 2009. For production and sale of coatings, COSCO Kansai Companies took advantage of the favourable opportunities arising from the pickup of the container manufacturing market to seize container coating orders and gain their market share, thus achieving a rise in business volume with higher pricing. They also strongly developed the business of industrial anti-corrosion coatings. Jotun COSCO proactively promoted the products with the features of energy saving and carbon emission reduction and seized the opportunities arising from the peak season of vessel delivery of Chinese shipyards, thus further consolidating its leading market position. Segment revenue from production and sale of coatings increased by 223% year-on-year and segment profit before income tax increased by 29% from 2009. For trading and supply of marine fuel and related products, Sinfeng achieved steady development. With risk control as priority, it employed an innovative marketing strategy for market development and its business volume recorded rapid growth. Revenue from trading and supply of marine fuel and related products was HK$5,758,556,000 and segment profit before income tax was HK$31,537,000.

In addition, the Group further divested its non-core business through the disposal of its entire shareholdings in SOLHL during the year, thereby providing ample funds for focusing in the development of the core shipping services in the course of implementing its established development strategies.

INVESTOR RELATIONS

Good investor relations management is an important element of corporate strategic development. During the year, taking advantage of the turnaround of the global economy and the opportunities arising from the increase of marketing activities of securities firms, as well as in line with the progress of the capital operation of the Company, the Company actively participated in investor presentations organised by securities firms, through which it introduced the position of its existing businesses and its development strategies to enable investors to understand the investment value of the Company. The Company also enriches the contents qualitatively and quantitatively and optimises the navigability of its corporate website, thus allows easy access to the information of the Company by investors and the Shareholders.

CORPORATE SOCIAL RESPONSIBILITY

COSCO International has been seriously undertaking its corporate social responsibilities. It has initiated diversified activities, actively participated in social services and given back to the society, so as to safeguard and balance the interests among its stakeholders including the Shareholders, business partners, employees, customers and suppliers and to achieve harmony between the Company and the society, environment and the economy, and sustainable development. During the year, the Group continued to strengthen the standardisation of the safety management system, foster a safety focused corporate culture, optimise the performance appraisal mechanism and the staff welfare system and strengthen team building. It was also concerned about the problem of global climate change and supportive of low carbon office. The Group also motivated its staff to participate in various social charitable activities to give back to the society. Under the concerted efforts of the management and all employees, the Company was awarded the Caring Company Logo for the consecutive third year by the Hong Kong Council of Social Service in recognition of the efforts and contributions the Company made in the categories of “Caring for the Community”, “Caring for the Employee” and “Caring for the Environment”.

FUTURE DEVELOPMENT

While both market opportunities and risks exist in 2011, COSCO International will tighten its grip on the trend of “developing in a volatile recovery” in the shipping industries. With the guiding principles of “adjusting the structure, striving for returns and focusing on development”, the Group will actively adjust its business structure and concentrate the privileged resources to strengthen business development and expand the existing businesses further. It will also actively and prudently conduct studies on asset acquisitions within and outside COSCO Group, further optimise and adjust its asset structure and business structure to gradually forge a portfolio of businesses with high degree of correlation, proper resource allocation and complementary business cycles, thus establishing a shipping services business of a large scale, and further consolidating and strengthening the position of the Group in the shipping services industry.

According to the overall development strategy of COSCO Group, the Group has developed itself as a platform for fortifying and expanding shipping services to an international level by relying on the advantages of COSCO Group. Leveraging on the Group’s advantage of capital operation, business operation and the professional team for many years and under the full support of COSCO and COSCO Hong Kong, the Group will take advantage of the opportunities to continuously seek for new business development in the shipping services industry, thus enhancing the momentum of the Company for sustainable development and continuously creating wealth for the Shareholders.

WANG Futian
Vice Chairman
Hong Kong, 24th March 2011

OVERALL RESULTS ANALYSIS

The Group's profit attributable to the equity holders was HK$1,268,600,000 representing a 50% increase as compared to 2009 (2009: HK$843,675,000). Such significant profit growth was attributed to: (i) rebound of container coatings sales leading to a higher segment operating profit of HK$69,994,000 (2009: HK$13,423,000) from the coatings segment; (ii) disposal of the entire 16.85% shareholdings in SOLHL resulting in a one-off gain on disposal of an associate of HK$545,704,000; and (iii) increased profit contribution from SOLHL of HK$436,520,000 (2009: HK$354,481,000).

Excluding the gain on disposal of the entire 16.85% shareholdings in SOLHL, profit contribution from SOLHL and net loss on deemed disposal of partial interest in an associate of HK$768,000 due to the exercise of SOLHL's employee share options during the year (2009: net gain of HK$245,287,000 due to the exercise of SOLHL's employee share options and new issue of shares), the Group's profit attributable to the equity holders was HK$287,144,000 (2009: HK$243,907,000), rose 18% as compared with 2009 on the same basis.

On earnings per share performance, basic earnings per share increased from 56.25 HK cents in 2009 to 83.97 HK cents in 2010.

FINANCIAL REVIEW

Revenue

The Group recorded consolidated revenue of HK$8,666,901,000 in 2010, representing a substantial increase of 432% when compared to last year (2009: HK$1,630,055,000). During the year, against the backdrop of a global economic recovery and reactivation of international trading activities, each of the Group's core shipping services business achieved revenue growth of varying degrees with the coatings business seeing significant rebound in both sales volume and revenue of container coatings. The newly established marine fuel and other products business has contributed substantial revenue to the Group this year. As a result, revenue of the core shipping services business went up by 611% to HK$7,885,881,000 (2009: HK$1,109,692,000), and accounted for 91% (2009: 68%) of the Group's revenue. Revenue of the general trading increased by 52% to HK$780,890,000 (2009: HK$515,366,000), and accounted for 9% (2009: 32%) of the Group's revenue in 2010.

Gross Profit and Gross Profit Margin

The Group recorded gross profit of HK$715,176,000 in 2010, representing an increase of HK$292,192,000 or 69% when compared to 2009 (2009: HK$422,984,000). Overall gross profit margin decreased from 26% in 2009 to 8%. Such decrease was due to decline in profit margin of the coatings business, lower profit margin of the marine fuel and other products business and the substantial proportionate rise in revenues from these two businesses.

Other Income

The Group recorded other income of HK$35,994,000 (2009: HK$65,787,000). Other income mainly comprised net exchange gains of HK$19,690,000, fair value gains on investment properties of HK$5,347,000 and gain on disposal of asset held for sale of HK$5,147,000. In 2009, the main items included in other income were: (i) exchange reserve realised upon dissolution of Shanghai COSCO Honour Property Development Limited of HK$33,721,000; (ii) reversal of provisions for impairment of trade receivables and inventories (net of provision) of HK$11,356,000; and (iii) fair value gains on investment properties of HK$7,864,000.

Other Expenses

The Group recorded other expenses of HK$5,291,000 (2009: HK$344,000). Other expenses mainly comprised provisions for impairment of inventories and trade receivables (net of reversals) of HK$4,577,000. In 2009, other expenses were minimal as the reversal of provisions for impairment of inventories and trade receivables (net of provision) was reported as other income.

Selling, Administrative and General Expenses

The Group's selling, administrative and general expenses recorded HK$451,910,000, representing a 50% increase when compared to 2009 (2009: HK$301,596,000). Selling expenses grew by 147% to HK$183,337,000 (2009: HK$74,214,000). This was due to the increases in sales commission, technology services fees and transportation cost which was in line with the rebound in coating sales revenue. Selling expenses to revenue ratio however reduced from 5% in 2009 to 2% in 2010 due to the increasing portion of revenue from the marine fuel and other products business which do not have direct selling expenses. As the marine equipment and spare parts business established additional business sites in Japan, Singapore and Shanghai and the coating business increased spending on research and development, overall administrative and general expenses rose by 18% to HK$268,573,000 in 2010 (2009: HK$227,382,000).

Operating Profit

As mentioned above, owing to the rapid growth in the Group's revenue, the Group's operating profit increased by 57% to HK$293,969,000 (2009: HK$186,831,000).

Finance Income – Net

The Group's finance income of HK$10,332,000 (2009: HK$10,716,000) comprised interest income from bank deposits, money market fund investments and a fellow subsidiary. Finance costs included interest expenses on short term bank loans of HK$5,532,000 (2009: HK$6,297,000) and other finance charges of HK$3,673,000 (2009: HK$1,773,000). Decreases in both interest income and interest expenses were mainly attributed to a low interest rate environment. Increase in finance charges was due to increased use of trade facilities by the Group's various trading business.

Share of Results of Jointly Controlled Entities

The Group's share of profits from jointly controlled entities decreased by 23% to HK$79,725,000 (2009: HK$104,025,000). During the year, profit contribution from Jotun COSCO amounted to HK$76,552,000, representing a 25% decrease as compared to 2009 (2009: HK$101,488,000). Despite Jotun COSCO managed to achieve a 16% sales volume growth over 2009, increasing raw material prices had been putting cost pressures on Jotun COSCO and consequently reduced Jotun COSCO's profit margins.

Share of Results of Associates

The Group's share of profits from associates increased by 20% to HK$438,995,000 (2009: HK$366,194,000). The Group's share mainly represented the profit contribution from SOLHL of HK$436,520,000 (2009: HK$354,481,000).

Net (Loss)/Gain on Deemed Disposal of Partial Interest in an Associate

During the year, the Group recorded a net loss on deemed disposal of partial interest in an associate of HK$768,000 as a result of the exercise of SOLHL's employee share options which caused the dilution of the Group's shareholding interest in SOLHL. During 2009, the Group recorded a gain on deemed disposal of partial interest in SOLHL of HK$269,008,000 due to the issuance of 934,000,000 new shares by SOLHL to a new shareholder on 30th December 2009. During 2009, the Group also recorded a net loss on deemed disposal of HK$23,721,000 as a result of the exercise of SOLHL's employee share options and issue of new shares.

Gain on Disposal of an Associate

The Group disposed the entire 16.85% shareholdings in SOLHL in December 2010. As a result, the Group recognised a disposal gain of HK$545,704,000 of which HK$425,788,000 was realisation of reserves.

Income Tax Expense

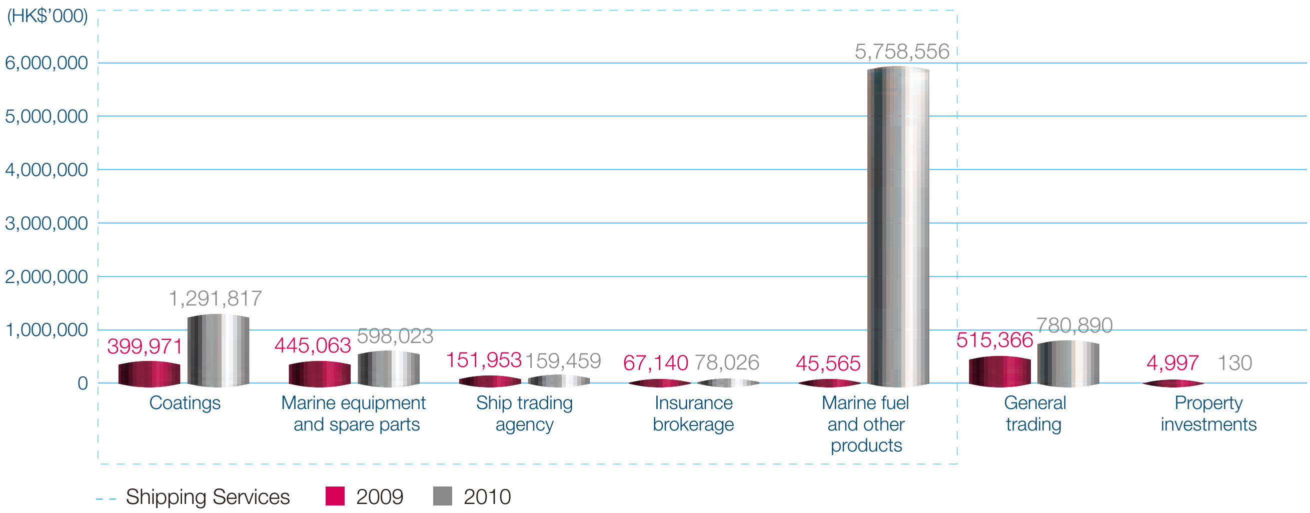
The Group's income tax expense for the year increased to HK$65,793,000 (2009: HK$58,756,000). Income tax expense as a ratio to profit before income tax (excluding share of profits of jointly controlled entities and associates) reduced to 8% from 14% in 2009. This was primarily due to increase in non-taxable income items such as gain on disposal of an associate which is not subject to income tax.

Profit Attributable to the Equity Holders

The Group's profit attributable to the equity holders increased by 50% to HK$1,268,600,000 (2009: HK$843,675,000). If net loss on deemed disposal of partial interests in an associate of HK$768,000 (2009: net gain of HK$245,287,000), gain on disposal of an associate of HK$545,704,000 (2009: nil), and profit contribution from SOLHL of HK$436,520,000 (2009: HK$354,481,000) were excluded, the Group's profit attributable to the equity holders was HK$287,144,000 (2009: HK$243,907,000), rose 18% as compared with 2009 on the same basis.

FINANCIAL RESULTS

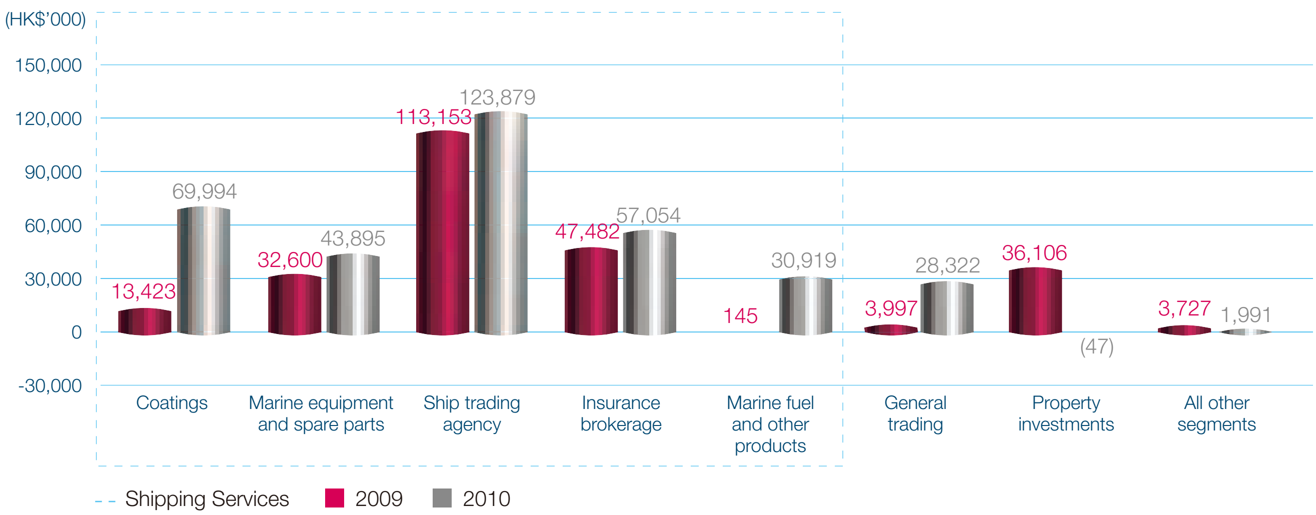
SEGMENT REVENUE*



* external customers only

During the year, the Group's shipping services businesses achieved revenue growth of varying degrees with our coating business seeing significant rebound in both the sales volume and revenue of container coatings and marine fuel and other products business making significant revenue contribution to the Group.

SEGMENT OPERATING PROFIT



During the year, all of the Group's shipping services businesses improved their operating profits. In particular, rebound of container coatings sales led to a higher segment operating profit and the marine fuel and other products business made a full year contribution to the Group's operating profits.

FINANCIAL RESULTS

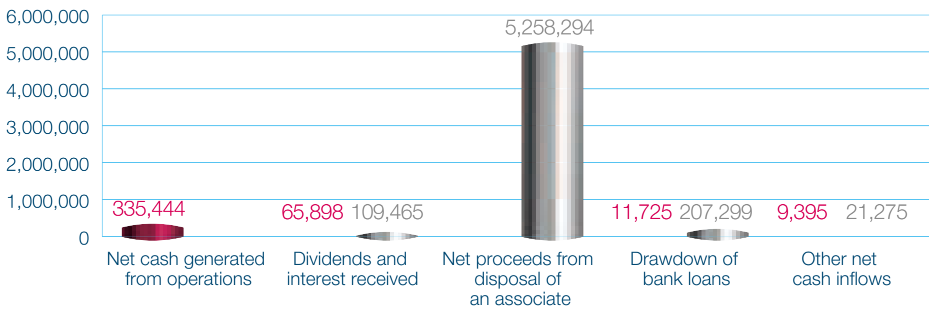
For the year ended 31st December	**2010 HK$'000**	2009 HK$'000	Change HK$'000	%	Remarks
Shipping services	**325,741**	206,803	118,938	58	All of the Group's shipping services businesses improved their operating profits. In particular, rebound of container coatings sales led to a higher segment operating profit of HK$69,994,000 (2009: HK$13,423,000) and the marine fuel and other products business made a full year contribution to the Group's operating profits.
Elimination of inter-segment profit	**(72)**	(69)	(3)	(4)	
General trading	**28,322**	3,997	24,325	609	Increase in segment profit reflected increased operating profits generated mainly from trading of asphalt and other products. Segment profit also included gain on disposal of asset held for sale of HK$5,147,000 (2009: Nil) and exchange gain of HK$6,984,000 (2009: exchange loss of HK$288,000).
Property investments	**(47)**	36,106	(36,153)	(100)	
All other segments	**1,991**	3,727	(1,736)	(47)	
Corporate expenses, net of income	**(61,966)**	(63,733)	1,767	3	
Operating profit	**293,969**	186,831	107,138	57	
Finance income – net	**1,127**	2,646	(1,519)	(57)	Decreases in both interest incomes and interest expenses were mainly attributed to a low interest rate environment.
Share of results of jointly controlled entities	**79,725**	104,025	(24,300)	(23)	Despite Jotun COSCO achieved a 16% sales volume growth over 2009, increasing raw material prices had been putting cost pressures on Jotun COSCO and consequently reduced Jotun COSCO's profit margins.
Share of results of associates	**438,995**	366,194	72,801	20	This mainly reflected the increased contribution of the results of SOLHL.
Net (loss)/gain on deemed disposal of partial interest in an associate	**(768)**	245,287	(246,055)	(100)	The Group recorded this item as a result of the exercise of SOLHL's employee share options which caused dilution of the Group's shareholding interest in SOLHL. In 2009, the Group recorded a gain on deemed disposal of partial interest in SOLHL of HK$269,008,000 due to issue of new shares by SOLHL and a net loss on deemed disposal of HK$23,721,000 as a result of the exercise of SOLHL's employee share options and issue of new shares.
Gain on disposal of an associate	**545,704**	-	545,704	N/A	The Group disposed of the entire 16.85% shareholdings in SOLHL in December 2010.
Profit before income tax	**1,358,752**	904,983	453,769	50	
Income tax expense	**(65,793)**	(58,756)	(7,037)	(12)	Income tax expense as a ratio to profit before income tax (excluding share of profits of jointly controlled entities and associates) reduced to 8% from 14% in 2009. This was primarily due to increase in non-taxable income items such as gain on disposal of an associate which is not subject to income tax.
Profit for the year	**1,292,959**	846,227	446,732	53	

ANALYSIS OF BALANCE SHEET

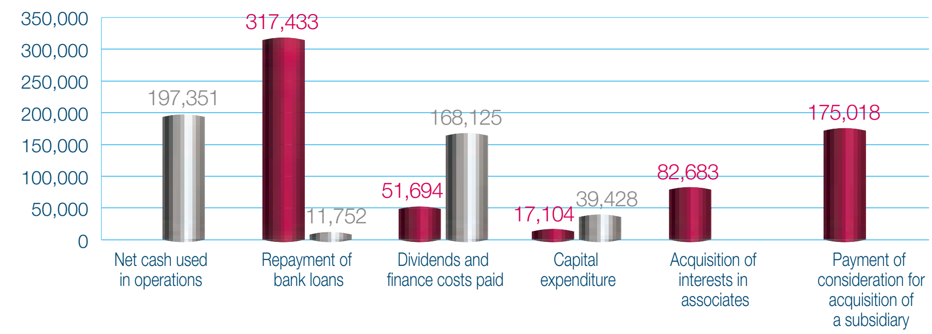
As at 31st December	2010 HK$'000	2009 HK$'000	Change	%	Remark
Intangible assets	**91,733**	91,340	393	0	
Property, plant and equipment, prepaid premium for land leases and investment properties	**199,103**	165,305	33,798	20	
Jointly controlled entities	**320,401**	234,062	86,339	37	
Associates	**57,689**	4,722,687	(4,664,998)	(99)	
Other non-current assets	**198,054**	141,510	56,544	40	
Completed properties held for sale and inventories	**454,544**	342,421	112,123	33	
Trade and other receivables	**1,574,998**	528,788	1,046,210	198	
Restricted bank deposits	**27,809**	7,104	20,705	291	1
Deposits and cash and cash equivalents	**6,439,721**	1,265,557	5,174,164	409	1
Other current assets	**1,357**	11,098	(9,741)	(88)	
Total assets	**9,365,409**	7,509,872	1,855,537	25	
Deferred income tax liabilities	**13,216**	8,636	4,580	53	
Trade and other payables	**1,574,823**	846,077	728,746	86	
Current income tax liabilities	**39,843**	27,862	11,981	43	
Short-term borrowings	**207,299**	11,725	195,574	1,668	2
Non-controlling interests	**230,201**	200,712	29,489	15	
Total liabilities and non-controlling interests	**2,065,382**	1,095,012	970,370	89	
Net assets attributable to equity holders	**7,300,027**	6,414,860	885,167	14	

1 MAJOR SOURCES AND USE OF CASH

CASH INFLOWS



CASH OUTFLOWS



Cash increased by HK$5,092,240,000 in aggregate during the year with dividends and interest received of HK$109,465,000, net proceeds from disposal of an associate of HK$5,258,294,000, drawdown of bank loans of HK$207,299,000 and other net cash inflow of HK$21,275,000.

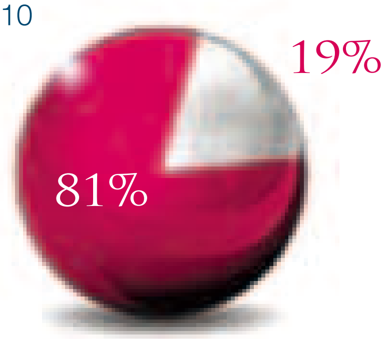
Use of cash principally included net cash used in operations of HK$197,351,000, repayment of bank loans of HK$11,752,000, payment of dividends and finance costs totaling HK$168,125,000 and additions to property, plant and equipment of HK$39,428,000.

■ 2009
■ 2010

2 ANALYSIS OF SHORT-TERM BORROWINGS

DEBT ANALYSIS

2010



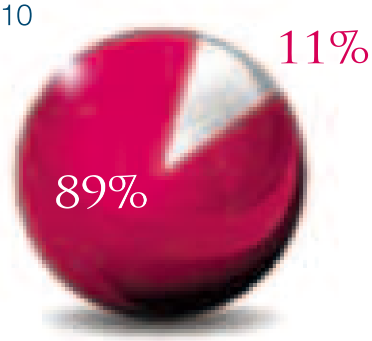
2009

Short-term borrowings as at the end of the year increased by HK$195,574,000 due to the financing need of the reactivated coatings business and rapid expansion of trading of asphalt.

■ Bank loans utilised by general trading business
■ Bank loans utilised by coatings business

CLASSIFIED BY CURRENCY

2010



2009

■ United States dollars
■ Renminbi

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a prudent yet flexible approach towards financial management with an aim to maintaining a strong balance sheet and a relatively low level of borrowings and achieving a high degree of liquidity. The Board believes this approach is beneficial to the Group's long term development as a major shipping services provider and to ensure sufficient financial resources for merger and acquisition opportunities that fit in well with the Group's strategic direction.

In December 2010, the Group completed disposal of entire 16.85% shareholdings in SOLHL and received a net cash proceed of HK$5,258,294,000 which was placed with well-known and highly reputable commercial banks in Hong Kong in the form of fixed deposit. Deposits and cash and cash equivalents held by the Group accounted for 76% (2009: 59%) of the Group's total current assets.

The main sources of liquidity comprised cash and bank balances and unutilised committed bank facilities. The major liquidity needs are to fund general working capital requirements, payment of dividends and future capital expenditure.

At 31st December 2010, the Group's consolidated assets increased by 25% to HK$9,365,409,000 (2009: HK$7,509,872,000). Total liabilities increased by 105% to HK$1,835,181,000 (2009: HK$894,300,000). The Group's trade receivables and trade payables increased sharply in response to the business growth of marine fuel and other products business and the recovery in coating business. Furthermore, in terms of asset distribution, the Group's cash on hand substantially increased after the completion of disposal of entire 16.85% shareholdings in SOLHL.

Net asset value attributable to equity holders was HK$7,300,027,000 (2009: HK$6,414,860,000). The increase mainly represents retained profit for the year. Net asset value per share was HK$4.83 (2009: HK$4.25), up 14% over the end of 2009.

At 31st December 2010, the Group's total bank borrowings increased substantially to HK$207,299,000 (2009: HK$11,725,000), mainly due to the financing need of the reactivated coatings business and rapid expansion of trading of asphalt. In addition, total borrowing level was increased appropriately in order to make use of the low interest rate environment. For details, please refer to below table. The Group's total cash in hand and committed yet unutilised standby facilities increased by 408% to HK$6,467,530,000 (2009: HK$1,272,661,000) and increased by 4% to HK$1,119,696,000 (2009: HK$1,081,493,000) respectively.

Gearing ratio, which represents total borrowings over total assets, was 2.2% (2009: 0.2%).

At 31st December 2010, the Group did not pledge any assets, other than restricted bank deposits, to banks as security for bank credit facilities (2009: nil). In addition, the Group had restricted bank deposits of HK$27,809,000 (2009: HK$7,104,000).

DEBT ANALYSIS

	31st December 2010		31st December 2009	
	HK$'000	**%**	HK$'000	%
Classified by maturity:				
– repayable within one year	**207,299**	**100**	11,725	100
Classified by type of loan:				
– unsecured	**207,299**	**100**	11,725	100
Classified by currency:				
– Renminbi	**23,590**	**11**	–	–
– United States dollars	**183,709**	**89**	11,725	100
	207,299	**100**	11,725	100

In view of the Group's current level of cash and bank balances, funds generated internally from operations, the unutilised banking facilities available and a relatively low debt level, the Board is confident that the Group will have sufficient resources to meet its foreseeable capital expenditures and debt repayment requirements.

Treasury Policy

The Group operates principally in Hong Kong, China Mainland and overseas, and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollars and Renminbi. Foreign exchange risk arises from commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group managed its foreign exchange exposure through matching its operating costs and borrowings against its receivables on sales. Nevertheless, the Group is still exposed to relevant foreign exchange risk in respect of Renminbi and United States dollars exchange rate fluctuations such that the Group's profit margin might be impacted accordingly. In addition, the conversion of Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchange controls promulgated by the PRC government.

The Group continues to monitor and adjust its debt portfolio from time to time in light of market conditions, the objective of which is to reduce potential interest rate risk exposure, improve debt structure and lower interest expenses.

At 31st December 2010, borrowings of the Group carried interest at rates calculated with reference to the London Interbank Offered Rate and the benchmark interest rates announced by the People's Bank of China. The Group will consider using forward foreign exchange contracts to hedge its foreign currency exposure should the need arise.

As to usage of surplus funds, the Group selects suitable financial instruments based on perceived balance of security, return and liquidity. During the year, the Group placed deposits with highly reputable financial institutions both in Hong Kong and China Mainland. The Group seeks to enhance income from cash resources through placing time deposits after taking into account the cash flow considerations.

Major Customers and Suppliers

For the year ended 31st December 2010, sales to the largest customer and aggregate sales to the five largest customers accounted for 9% and 39% respectively (2009: aggregate sales to the five largest customers accounted for less than 30%) of total revenue of the Group, while purchases from the largest supplier and aggregate purchases from the five largest suppliers accounted for 14% and 46% respectively (2009: aggregate purchases from the five largest suppliers accounted for less than 30%) of the total cost of sales of the Group.

Employees

As of 31st December 2010, excluding associates and jointly controlled entities, the Group had 702 (2009: 646) employees, of which 111 (2009: 109) are Hong Kong employees. For the year ended 31st December 2010, total employee benefit expenses, including directors' emoluments and provident funds, was HK$192,583,000 (2009: HK$165,093,000). Employees were remunerated on the basis of their performance and experience. Remuneration packages include salary and a year-end discretionary bonus, which are determined with reference to market conditions and individual performance. During the year, all of the Hong Kong employees have participated in the Mandatory Provident Fund Scheme or recognised occupational retirement scheme.

On 2nd December 2004, directors of the Company (excluding independent non-executive directors) and certain employees of the Group were granted share options to subscribe for a total of 32,650,000 shares of the Company at a price of HK$1.37 per share. These share options are exercisable at any time from 29th December 2004 to 28th December 2014. On 10th May 2005, certain employees of a subsidiary of the Company were granted share options to subscribe for a total of 2,400,000 shares of the Company at a price of HK$1.21 per share. These share options are exercisable at any time from 6th June 2005 to 5th June 2015. On 9th March 2007, directors of the Company (excluding independent non-executive directors) and certain employees of the Group and its jointly controlled entity were granted share options to subscribe for a total of 25,930,000 shares of the Company at a price of HK$3.666 per share. These share options are exercisable from 9th March 2009 to 8th March 2015 in the stipulated proportion at any time namely: (i) no share options shall be exercisable by the grantees within the first two years from 9th March 2007; (ii) up to a maximum of 30% of the share options can be exercised by the grantees from 9th March 2009 onwards; (iii) up to a maximum of 70% of the share options can be exercised by the grantees from 9th March 2010 onwards and (iv) all share options can be exercised by the grantees from 9th March 2011 onwards.

BUSINESS REVIEW

In 2010, the first year of the post-financial crisis era, the global economy emerged from recession into recovery but its pace was slow and unstable. Driven by the economic recovery, the shipping and shipbuilding markets and their related markets bottomed out. However, the development of the shipping business was still subject to fluctuation and the lingering aftermath. During the year, the Group adhered to the guiding principles of "seizing opportunities, streamlining management, grabbing market share, striving for returns and exploring development" and closely monitored the relevant trends. The Group placed great emphasis on risk analysis, prevention and control and tapped the opportunities arising from market recovery to launch new products in response to the market demand, develop new businesses, secure new customers and explore new markets. By optimising the synergistic effect within the Group and promoting comprehensive lean management, as well as the adoption of an array of measures, the Group expanded sources of income while controlling cost, strengthened service motivation, and kept enhancing the capability of creating efficiency through the concerted efforts of its business units. Thanks to the efforts of all staff, the Group further consolidated its market share of the related markets during the year with new business continuously developed and expanded and a steady profit growth of the core shipping services business. Meanwhile, the Group proactively implemented its established strategic development positioning to adjust its business structure and expand its operational scale in order to strive for core business development. During the year, the Group focused on the expansion of supply of marine equipment and spare parts and achieved remarkable results in turn by establishing Shin Chung Lin in Japan, acquiring Xing Yuan and expanding the business scope of Shanghai Yuantong. The Group initially completed the establishment of domestic and overseas service network platform of the business unit, thereby strengthening and expanding the business segment. On the other hand, the Group further divested its non-core business through completion of disposal of 16.85% equity interests in SOLHL, the proceeds from which laid a solid foundation for future development by specialising in the development of the core shipping services business.

1. Core Business – Shipping Services

COSCO International is determined to become a specialised, unique and leading shipping services provider in the world. Striving for the provision of professional and quality related services and products for shipping enterprises and shipbuilding enterprises all over the world, it initially established a shipping services supply platform composed of, among other things, ship trading agency services, marine insurance brokerage services, supply of marine equipment and spare parts, production and sale of coatings, and trading and supply of marine fuel and related products. Driven by economic globalisation and increasing international trade volume, the fleet size all over the world has continuously expanded in the past decade, laying a growth foundation and creating broad prospects for the shipping services business which primarily served the vessels. According to the statistic data released by Clarkson Research Services Limited, the world fleet size grew at an average rate of approximately 5% per annum from 2000 to 2010, and the world fleet size exceeded 1.3 billion dead weight tonnages as at the end of 2010. In addition, the synergy of the diversified business units of the shipping services of the Group, which are complementary to each other, ensures the sustaining steady growth of the Group.

In recent years, with China's strong economic development and rapid growth of international trade volume, China's shipping industry and shipbuilding industry developed swiftly. It drives international shipping industry and shipbuilding industry to shift their focus to Asia at a faster pace, especially to China. During the year, China's ship manufacturers were ranked first in the world, surpassing their peers in Korea, in terms of the three major shipbuilding indicators, namely completion, new contracts and orders in hand of new build vessels. Meanwhile, China's investment in new build vessels was also ranked first in the world. Such development had created great opportunities for the development of COSCO International's core business – shipping services.

As compared to 2009, each shipping services business unit under the Group achieved satisfactory and better-than-expected results due to improvement of the external markets on the one hand, and the Group's seizure of opportunities and its efforts on the other hand. As a result, the businesses of marine insurance brokerage services, and supply of marine equipment and spare parts steadily grew. The newly joined business of trading and supply of marine fuel and related products achieved good results. The container coating business strongly rebounded due to a surge in demand for new containers resulting from significant improvement in the container shipping market, thus maintaining a leading position in the industry with relatively high growth. Benefiting from the global new build vessel transaction volume hitting a record high, the

business volume of marine coatings increased, enabling the marine coating business to maintain a leading position in a keen competitive market. In addition, as global new build vessel orders bottomed out in 2010, the Group's subsidiaries engaged in marine coatings and ship trading agency services capitalised on market opportunities and entered into new contracts, thus laying a foundation for business development in the future.

Benefiting from gradual recovery of the global shipping market and the strong development of China's shipbuilding industry in 2010, each shipping services segment of the Group generally recorded a growth of varying degrees. The sales volume and sales of container coatings achieved stronger growth in particular. In 2010, segment revenue from shipping services was HK$8,078,336,000 (2009: HK$1,110,088,000), up 628% compared to 2009 primarily due to high revenue contribution derived from the newly established trading and supply of marine fuel and related products business and a surge in business volume of container coatings. Segment profit before income tax from shipping services was HK$409,909,000 (2009: HK$324,745,000), up 26% compared to 2009, in line with high segment revenue from shipping services.

CORE BUSINESS COVERAGE

1. Beijing
2. Tianjin
3. Dalian
4. Qingdao
5. Shanghai
6. Guangzhou
7. Shenzhen
8. Hong Kong
9. Zhuhai
10. Singapore
11. Japan

- Ship Trading Agency Services
- Marine Insurance Brokerage Services
- Supply of Marine Equipment and Spare Parts
- Production and Sale of Coatings
- Trading and Supply of Marine Fuel and Related Products
- Other than China, the Business Coverage and Scope of Supply of Shipping Services


ASIA
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11

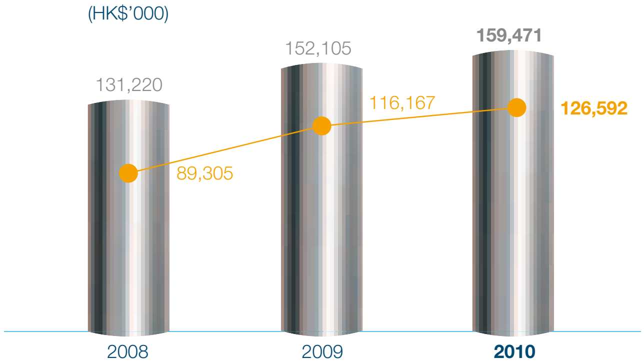
SHIP TRADING AGENCY SERVICES

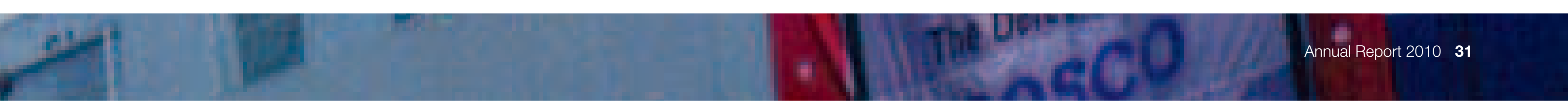
1.1 Ship Trading Agency Services

COSCO Ship Trading, the sole window company engaged in ship trading for COSCO Group, provides services relating to shipbuilding and ship trading and agency services relating to chartering for the fleet of COSCO Group, as well as similar agency services for non-COSCO Group shipowners or shipping companies to expand its business. COSCO Ship Trading mainly derives its revenue from agency services. In the case of new build vessels, commissions are paid to COSCO Ship Trading by shipbuilders according to the relevant contracts and are generally collected based on the shipbuilding schedule. For the trading of second-hand vessels, commissions are paid to COSCO Ship Trading according to the contracts after the vendors have delivered vessels to buyers.

During the year, the shipping market picked up but remained unstable. The great difference in market expectation between shipowners and shipyards, as well as greater difficulties with vessel financing, resulted in delayed vessel delivery. COSCO Ship Trading made an in-depth study into the complex shipping market on the one hand, and carried out a great deal of communication and coordination with each shipping company and each shipyard on the other hand, thus enabling most of the new build vessel orders in hand to be delivered as scheduled and ensuring the Group's commission revenue from ship trading agency services to maintain a stable growth. In relation to the second-hand vessel business, it experienced difficulties due to the different market judgments between sellers and buyers. COSCO Ship Trading continued to tightly grasp the market opportunities by mediating between the sellers and buyers with its judgment based on its professional knowledge and successfully explored business which made contribution to revenue to a certain extent. Moreover, in order to establish a platform for the supply of comprehensive shipping services business, COSCO Ship Trading proactively continued to establish long-term good cooperation relations with domestic and overseas shipping companies, shipbuilders and ship brokers, and regularly released market information and provided value-added services to customers. Meanwhile, COSCO Ship Trading also actively developed ship trading agency business outside COSCO Group. COSCO Ship Trading consummated transactions for the sale and purchase of 53 vessels (including new build vessels and second-hand vessels) (2009: 64 vessels) during the year, aggregating 1,605,000 dead weight tonnages (2009: 1,533,000 dead weight tonnages).

During the year, segment revenue from ship trading agency services was HK$159,471,000 (2009: HK$152,105,000), up 5% compared to 2009. Segment profit before income tax was HK$126,592,000 (2009: HK$116,167,000), up 9% compared to 2009.





MARINE INSURANCE BROKERAGE SERVICES

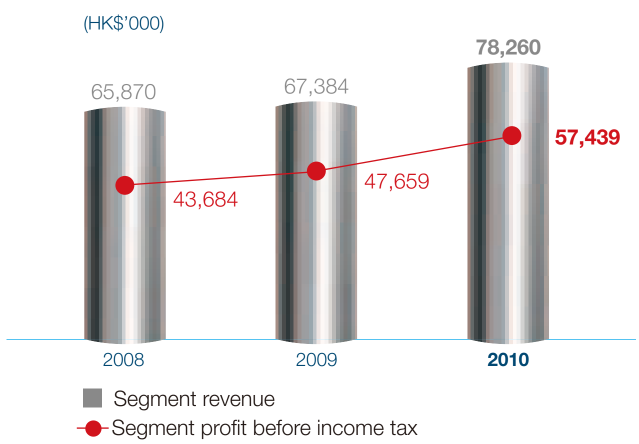
1.2 Marine Insurance Brokerage Services

HK COSCO Insurance Brokers and SZ COSCO Insurance Brokers are mainly engaged in provision of insurance intermediate services including risk assessment, designing insurance program, placing insurance cover, loss prevention, claims handling to vessels insured worldwide.

Given the unstable shipping market and the enduring uncertainties at the beginning of 2010, insurers' insurance premium rates remained high on the one hand, and shipowners continued to take stringent measures to control costs on the other hand. The difference in expectation between insurers and shipowners caused difficulties for marine insurance brokerage business. Confronted with such unfavourable market conditions, HK COSCO Insurance Brokers and SZ COSCO Insurance Brokers (collectively the "COSCO Insurance Brokers") actively developed the insurance brokerage business of delivery of new vessels to shipping companies while making every effort to deal with annual insurance renewal, and continued to strive for promotion of the hull and machinery co-insurance business for vessels registered in China. The related businesses had been fully operated within COSCO Group. In line with the shipping business trend and change in traditional shipowners, they focused on the development of insurance brokerage business for vessels of new shipping companies under major PRC state-owned enterprises, thus strengthening and developing the non-COSCO Group business. In addition, during the year, they realised the customers' needs in a timely manner and provided professional advice against a background of rampant Somali piratic

activities. They provided new tailor-made insurance products, including kidnap and ransom insurance and loss of hire insurance, with full protection at preferential rates for customers. These products did not only solve customers' problems but also created profits for COSCO Insurance Brokers. By consolidating the existing customers and promoting new products, successful exploration of new customers and new businesses, together with the new demand for insurance brokerage business brought forth by delivery of new build vessels, the negative impact brought by the prevailing market predicament was largely mitigated, thereby enabling the commission revenue from marine insurance brokerage services to maintain a stable growth.

During the year, segment revenue from marine insurance brokerage services was HK$78,260,000 (2009: HK$67,384,000), up 16% from 2009. Segment profit before income tax was HK$57,439,000 (2009: HK$47,659,000), up 21% from 2009.



SUPPLY OF MARINE EQUIPMENT AND SPARE PARTS

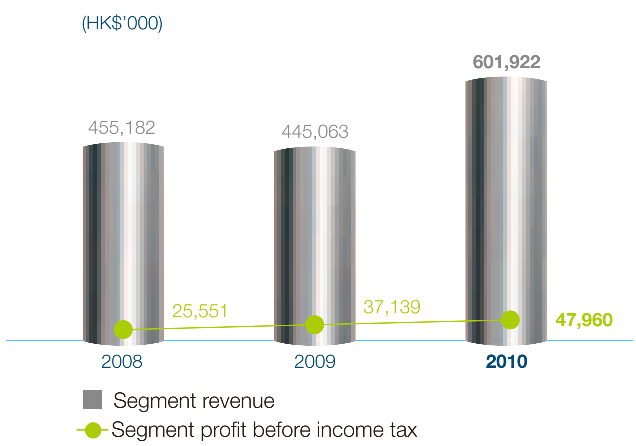
1.3 Supply of Marine Equipment and Spare Parts

Yuantong is principally engaged in the sale and installation of marine equipment and spare parts for existing and new build vessels, as well as equipment of radio communication systems, satellite communication and navigation system for ships, offshore facilities, coastal station and land users, and marine material supply and voyage repair. Its business network is spread across Hong Kong, Beijing, Shanghai, Japan and Singapore, etc.

The trading volume of marine equipment and spare parts grew attributable to the pickup of market demand in line with the recovery of the shipping market, as well as the delivery of numerous new build vessels. During the year, Yuantong set up a new company in Japan, acquired a company in Singapore and changed and expanded the scope of business of a company in Shanghai, thus increasing its business networks which made Yuantong receiving much publicity and expanding its operational scale. While consolidating its existing customer base to sustain the traditional business, Yuantong not only successfully tapped four major customers outside COSCO Group but also established closer cooperation relations with spare part manufacturers through an innovative cooperation model which strengthened the links with the upstream suppliers and the downstream customers within the industry chain. For example, it proposed giving assistance in product promotion against customers outside COSCO Group to the Japanese manufacturers to create a win-win situation. It also reached an agreement with a European manufacturer pursuant to which Yuantong's goods were sold to some European

regions on an agency basis and Yuantong marketed the European manufacturer's franchised products to create new business opportunities through cooperation. Revenue from the supply of marine equipment and spare parts also increased due to implementation of new emission reduction regulations which resulted in more technological upgrade works and facility investments of some shipowners.

During the year, segment revenue from the supply of marine equipment and spare parts was HK$601,922,000 (2009: HK$445,063,000), up 35% compared to 2009. Segment profit before income tax was HK$47,960,000 (2009: HK$37,139,000), up 29% compared to 2009. During the year, Yuantong recorded fair value gains on investment properties of HK$2,900,000 (2009: fair value gains of HK$4,000,000), and the reversal of provision for impairment of trade receivables (net of provision) of HK$5,041,000 (2009: provision for impairment of trade receivables of HK$855,000 (net of reversal)).



PRODUCTION AND SALE OF COATINGS

1.4 Production and Sale of Coatings

The coating business of the Company primarily includes production and sale of container coatings, industrial heavy-duty anti-corrosion coatings and marine coatings. COSCO Kansai Companies are principally engaged in the production and sale of container coatings and industrial heavy-duty anti-corrosion coatings. Jotun COSCO, the 50/50 joint-venture formed by the Company and international coatings producer Jotun A/S, Norway, is principally engaged in the production and sale of marine coatings.

Spurred by a global economic pickup, market economic activities regained momentum. The global coatings demand, especially in China, maintained a stable growth. However, coating manufacturers faced pressures due to the substantial rise in the price of raw materials in 2010. During the year, COSCO Kansai Companies seized the opportunities arising from the surge in new build container orders benefiting from the turnaround of the container shipping market and took effective sales strategies, thus realising a sharp increase in sales revenue on a year-on-year basis. Leveraging on the effective sales strategies to strengthen business development, Jotun COSCO also achieved a stable year-on-year growth in the business volume of coatings for new build vessels and repair and maintenance but its profit was squeezed due to the rise in the price of raw materials.

During the year, segment revenue from production and sale of coatings was HK$1,291,817,000 (2009: HK$399,971,000), substantially up 223% compared to 2009 primarily due to a rally in the sale of container coatings. Segment profit before income tax was HK$146,381,000 (2009: HK$113,114,000), up 29% compared to 2009.

1.4.1 Container Coatings and Industrial Heavy-Duty Anti-Corrosion Coatings

COSCO Kansai Companies have established coating plants in Zhuhai, Shanghai and Tianjin respectively. These three coating plants are respectively located in the Pearl River Delta, the Yangtze River Delta and the Pan-Bohai Rim Area, the three most economically developed regions of China, with a total annual production capacity of 100,000 tonnes.

During the year, China's export trade posted steady growth and resulted in the substantial increase in demand for container transportation capacity, thus driving the swift recovery of the container manufacturing market and resulting in a better-than-expected recovery in the container coating market. COSCO Kansai Companies grasped the market recovery and meticulously planned their operating strategies. Market development became their top priority with lean management as the core of their strategies. They strengthened retention of customers and closely monitored the orders of container manufacturers and the market changes with a view to securing every order, thus further consolidating their market share. On the other hand, they adjusted the selling price of container coatings based on the changes in the raw material market to offset the effect of the rising costs. During the year, total sales volume of container coatings of COSCO Kansai Companies amounted to 55,594 tonnes, representing a significant increase of 1350% as compared with 3,835 tonnes in 2009, thereby maintaining its leading position in China's container coating market.

The industrial heavy-duty anti-corrosion coatings of COSCO Kansai Companies are primarily used in the industries covering bridges, petrochemical equipment and construction machinery, port machinery and equipment, nuclear power, wind power and civil steel structure. Industrial heavy-duty anti-corrosion coatings marked the direction of the adjusted product structure of COSCO Kansai Companies, and represented the key area for future development. During the year, with the launch of policies such as those aiming to boost domestic consumption in China, bridge industry, new energy industries (including nuclear power and wind power), and marine engineering equipment manufacturing industry have showed greater demands for industrial coatings. Other industries such as mechanical equipment were also in the process of recovery. COSCO Kansai Companies grasped the market opportunities by selecting projects of different industries

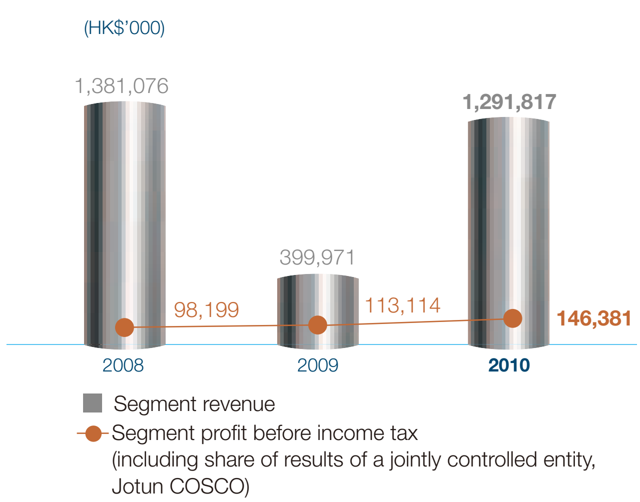
for research. They set up task groups for follow-up and carried out many preliminary works, thus securing the trust of their customers and laying a good foundation for their future business development. In order to further expand their business, COSCO Kansai Companies established a representative office in Wuhan to explore business in Central China. In 2010, COSCO Kansai Companies recorded sales volume of industrial heavy-duty anti-corrosion coatings together with workshop primer of 10,379 tonnes, (2009: 10,113 tonnes), up 3 % year-on-year.

In addition, with their professional services and quality products, COSCO Kansai Companies were awarded "The Top 10 Foreign Industrial Coatings Brands Awards of China 2009" by 慧聰塗料網 (HC Coating Network) in 2010, fully evidencing the recognition and support of the brand among its peers and customers in China's coating industry.

1.4.2 Marine Coatings

Jotun COSCO is principally engaged in production and sale of marine coatings in China including China Mainland, Hong Kong and Macau Special Administrative Regions. During the year, China's shipyards delivered numerous new build vessels, driving the continuous growth in demand for new build vessel coatings. Jotun COSCO accelerated the construction of a new coating plant in Qingdao, China to line up with the production capacity expansion for future development. For the sales and customers, Jotun COSCO continued to proactively deal with the traditional customers with its management for major customer by providing them with customised suggestions to enhance the mutual trust, thereby benefiting both sides from cooperation. On the other hand, it strived to develop potential customers, especially China's shipowners and shipyards which emerged after the recovery of the global economy. While adopting a flexible sales strategy, Jotun COSCO kept itself abreast of the industry and market norms and trends and continued to launch products and services which met the latest market demand. In addition, Jotun COSCO strengthened the development of the business of coatings for repair and maintenance during the year. It took effective measures to closely monitor and follow up the initial dock repair of new build vessels to strive to maintain its market share in terms of dock repair. During the year, both new build vessel coatings and coatings for repair and maintenance businesses remarkably improved. The sales volume of marine coatings of Jotun COSCO amounted to 74,530,000 litres (equivalent to approximately 108,069 tonnes) (2009: 64,000,000 litres (equivalent to approximately 92,800 tonnes), representing a year-on-year increase of 16%. Sales volume of new build vessel coatings amounted to 57,650,000 litres, increased by 24% from 2009 which fulfilled the supply of coatings to new build vessels aggregating 15,370,000 dead weight tonnages. Sales volume of coatings for repair and maintenance was 16,880,000 litres, up 14% from 2009. In addition, as at 31st December 2010, Jotun COSCO had coatings contracts in hand for new build vessels with 39,840,000 dead weight tonnages pending delivery, thus continuing to maintain its leading position in China's marine coating market.

During the year, the Group's share of profit from Jotun COSCO was HK$76,552,000 (2009: HK$101,488,000), down 25% from 2009 primarily due to the overall decline in the gross margin as a result of Jotun COSCO was affected by the rising raw material prices during the year.



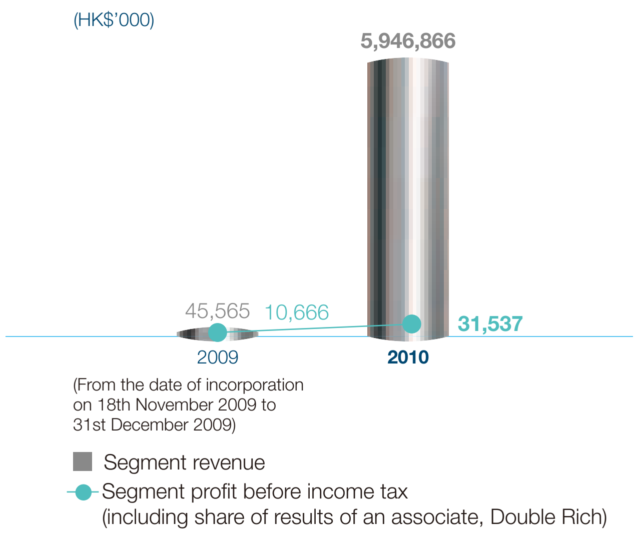
TRADING AND SUPPLY OF MARINE FUEL AND RELATED PRODUCTS

1.5 Trading and Supply of Marine Fuel and Related Products

Sinfeng is primarily engaged in the provision of marine fuel supply, trading of marine fuel and related products and brokerage services for customers which are mainly members of non-COSCO Group. Sinfeng has established extensive and good business cooperation relationship with the famous international oil companies, shipping companies and shipowners which have representative offices in Singapore. Currently, its business network primarily covers Singapore, Malaysia and other major oil ports all over the world.

Sinfeng overcame various difficulties in the first year since its establishment through strict risk control, sound development and proactive exploration. It built its own reputation rapidly in the fierce market competition, successfully developed the markets such as Taiwan through agency system and launched profound cooperation with the world's largest fuel public service company to study on enhancement of the utilisation rate of credit line of both parties for acquiring European customers. Currently, Sinfeng gained its strong footing on the market with its preliminary core competitiveness emerging. During the year, leveraging on a market turnaround and successful implementation of major customer strategy, its businesses rapidly grew. The sales volume of marine fuel and related products was 1,618,288 tonnes.

During the year, segment revenue from the trading and supply of marine fuel and related products was HK$5,946,866,000 (from the date of incorporation on 18th November 2009 up to 31st December 2009: HK$45,565,000). Segment profit before income tax was HK$31,537,000 (from the date of incorporation on 18th November 2009 up to 31st December 2009: HK$10,666,000).



In addition, Double Rich in which the Group owned 18% equity interests since 2009, is principally engaged in the trading of fuel and oil products and provision of bunker oil supply services in Hong Kong, and is specialised in sourcing products like light diesels and fuel oil. Its major customers or end users are shipowners and ship operators. During the year, the profit of Double Rich attributable to the Group was HK$1,071,000 (for the eight months ended 31st December 2009: HK$10,522,000). The decline in profit contribution from Double Rich was mainly due to the short-term unusually keen competition in Hong Kong marine fuel market which emerged during the second half of 2010 following the entry of new suppliers leading to the loss of its major jointly controlled entity. However, the fuel supply market in Hong Kong has gradually recovered since December 2010.

SOLID OPERATIONS

2. General Trading

CITC is principally engaged in trading of asphalt, trading of general marine equipment and marine supplies, as well as other comprehensive trading. CITC is familiar with the China Mainland's market and the market operations and has abundant experience in international trading. It has steady suppliers and stable market share, which will generate synergies with the Group's shipping services business, serving as an important platform for the Group to tap into the China Mainland's market.

In line with the development trend of asphalt market in China Mainland, CITC adopted a sales model of combining sales in barrel and in bulk, thus expanding its business volume. While endeavouring to fulfil the tasks in respect of the successfully tendered projects, CITC continued to expand its presence in the asphalt market in privileged areas like Yunnan, Guizhou and Sichuan. It successfully won six tendered projects in the areas like Yunnan, Guizhou, Sichuan and Shaanxi during the year and completed the delivery of asphalt of 101,303 tonnes (2009: 93,502 tonnes), representing a year-on-year increase of 8%.

During the year, segment revenue from general trading was HK$786,826,000 (2009: HK$515,366,000). Segment profit before income tax was HK$24,075,000 (2009: HK$731,000). Included in the segment profit before income tax were gain on disposal of asset held for sale of HK$5,147,000 (2009: Nil) and exchange gain of HK$6,984,000 (2009: exchange loss of HK$288,000).

3. Property Investments

During the year, segment revenue from property investments was HK$130,000 (2009: HK$4,997,000), representing a year-on-year decrease of 97%, which was derived from the sale of one car parking space in Fragrant Garden in Shanghai. Segment profit before income tax from property investment was HK$981,409,000 (2009: HK$636,149,000), up 54% from 2009 primarily due to profit contribution of SOLHL, an associate of the Group during the year.

3.1 Investment in SOLHL

In order to focus on the Group's capital for development of its core business of shipping services, the Group further divested its non-core business by completing the disposal of entire 16.85% equity interests in SOLHL on 21st December 2010. SOLHL holds 100% equity interests in SOLL.

SOLL is one of the well-known real estate developers in China Mainland, and is principally engaged in the development of medium to high-end residential properties and premium grade office buildings, retail properties, serviced apartments and hotels. During the year, the Group's share of profit from SOLHL was HK$436,520,000 (2009: HK$354,481,000), up 23% from 2009.

EMERGENCY HANDLING

The Board was aware of an outbreak of a 9.0 magnitude earthquake in Japan on 11th March 2011. In this regard, the Company activated its emergency procedures immediately. The Group arranged the staff of Shin Chung Lin, a wholly-owned subsidiary of the Company established in Japan and situated in Tokyo, Japan, to evacuate orderly, which was consistent with the Company's people-oriented with staff safety as its first priority. Up to now, all staff are safe and no injury is recorded. In addition, the Group had arranged Shin Chung Lin to activate its emergency operation system to ensure the sustainable development of the business and safeguard the interest of the customers, and through its parent company, Yuantong to take over some businesses from Shin Chung Lin to ensure normal business operation. The Company has been paying close attention to the development of the event to ensure the safety of staff and the stable business operation.

ENHANCED MANAGEMENT

The Board is committed to maintaining high standards of corporate governance. It believes that high standards of corporate governance provide a framework and solid foundation for the Group to manage business risks, enhance transparency, maintain high standard of accountability and protect the Shareholders' interest in general.

Front row:

MR. TSUI YIU WA, ALEC *Independent Non-executive Director*	**MR. KWONG CHE KEUNG, GORDON** *Independent Non-executive Director*	**MR. ZHANG FUSHENG** *(Chairman) Executive Director*	**MR. WANG FUTIAN** *(Vice Chairman) Executive Director*	**MR. JIANG, SIMON X.** *Independent Non-executive Director*

Back row:

MR. LIN WENJIN *Executive Director*	**MR. JIA LIANJUN** *Non-executive Director*	**MR. WANG XIAODONG** *(Managing Director) Executive Director*	**MR. LIANG YANFENG** *Executive Director*	**MR. MENG QINGHUI** *Non-executive Director*	**MR. CHEN XUEWEN** *Non-executive Director*

WE ARE COMMITTED TO MOVING THE COMPANY FORWARD

DIRECTORS

1. Mr. ZHANG Fusheng

(Chairman)

aged 61, has been an Executive Director and the Chairman of the Board of the Company since July 2008. He is also the secretary of the CPC sub-committee and an executive vice president of China Ocean Shipping (Group) Company, the non-executive director and vice chairman of China COSCO Holdings Company Limited (listed in Hong Kong and the PRC), a director of China Bohai Bank Co., Ltd. and the chairman of COSCO Oceania Pty Limited. Mr. Zhang had been a deputy director of the No.1 division of Tianjin Port Authority, a deputy director of Personnel and Labor Department of the Ministry of Communications of the PRC ("MOC"), a director of Institutional Reform and Regulatory Department of the MOC (spokesman of MOC), and vice-president of the Beijing branch of Bank of Communications, the secretary of the CPC sub-committee of COSCO Container Lines Company Limited and Shanghai Ocean Shipping Company. Mr. Zhang has over 40 years of experience in the administrative management and operational management of shipping business, and also has experience in financial management and business operation. Mr. Zhang is an expert in management, his extensive experience has enabled him to demonstrate outstanding leadership qualities throughout the course of development of COSCO Group. He was awarded "Directors Of The Year Award 2010" by The Hong Kong Institute of Directors in 2010. Mr. Zhang has a Master degree in Transportation Management and Engineering from Wuhan University of Communications Science, and is a senior engineer and senior political officer. Mr. Zhang was elected a member of the 10th and 11th National People's Congress of the People's Republic of China, and is a member of the Foreign Affairs Committee of the 11th National People's Congress of the People's Republic of China.

2. Mr. WANG Futian

(Vice Chairman)

aged 61, has been an Executive Director of the Board of the Company since March 2007 and appointed as the Vice Chairman since October 2008. He is also a member of Executive Committee, Investment Committee and Risk Management Committee of the Company. Mr. Wang is a director of subsidiaries of the Company, the executive vice chairman and president of COSCO (Hong Kong) Group Limited, a director of Boao COSCO Co., Ltd., the vice chairman of the Eleventh Term of Office of The Hong Kong Chinese Enterprises Association and the vice chairman of the executive committee of Hong Kong Shipowners Association. Mr. Wang graduated from Dalian Maritime University of the PRC, in Navigation and graduated from Capital University of Economics and Business in Postgraduate Studies in Business Administration and has the senior engineer qualification awarded by the Ministry of Communications of the PRC. Mr. Wang had been a marine captain, the vice president and chief legal counsel of China Ocean Shipping (Group) Company, a non-executive director of China COSCO Holdings Company Limited, an executive director of COSCO Pacific Limited, the chairman of the supervisory committee and director of COSCO Container Lines Company Limited and a member of senior management of Dalian Ocean Shipping Company. Mr. Wang has rich experience in the operation and management of large-scale shipping enterprises.

3. Mr. JIA Lianjun

aged 50, has been an Executive Director of the Board of the Company since January 2006 and re-designated as Non-executive Director since July 2008. He is also the deputy general manager of the Strategic Development Division of China COSCO Holdings Company Limited, a director of Chinese-Tanzanian Joint Shipping Company, COSCO Japan Co., Ltd, COSCO (Cayman) Fortune Holding Co. Ltd., Boao COSCO Co., Ltd., Qingdao Ocean Shipping Co., Ltd. and Bright Sea Management Limited. Mr. Jia graduated from Dalian Maritime University in Marine Mechanical Management and has senior engineer qualification awarded by the Ministry of Communications of the PRC. He had been the department officer, deputy department head, department head of Corporate Management Department and the manager of Corporate Management Office of China Ocean Shipping (Group) Company, and the director of COSCO (Hong Kong) Group Limited. He has extensive experience in corporate management.

4. Mr. LIANG Yanfeng

aged 45, has been an Executive Director of the Board of the Company since August 2006 and had been the Managing Director of the Company from August 2006 to December 2009. He is also the chairman of Investment Committee, a member of Executive Committee and Risk Management Committee of the Company. Mr. Liang is a director of subsidiaries of the Company, a director and the vice president of COSCO (Hong Kong) Group Limited, a director of True Smart International Limited, the non-executive director and non-executive vice chairman of Soundwill Holdings Limited (listed in Hong Kong). Mr. Liang has a Master's degree in Laws from the Department of Social Sciences of Tsinghua University and a degree of Executive Master of Business Administration from the School of Economics and Management of Tsinghua University. He was also awarded the senior economist qualification by the Ministry of Communications of the PRC. Mr. Liang previously served as the deputy general manager of Human Resources Division and the general manager of Capital Operations Division of China Ocean Shipping (Group) Company, an executive director of COSCO Pacific Limited, a director of COSCO Corporation (Singapore) Limited, the general manager of COSCO Human Resources Development Company and a non-executive director of Sino-Ocean Land Holdings Limited (listed in Hong Kong) until his resignation in March 2011. While temporary posted in the local government, he had been the deputy mayor of Luzhou municipal government, Sichuan Province of the PRC. He has extensive experience in corporate management and capital market operation.

5. Mr. WANG Xiaodong

(Managing Director)

aged 52, has been an Executive Director of the Board of the Company since January 2006 and was appointed as the Managing Director of the Company since December 2009. Mr. Wang is the chairman of Executive Committee and Risk Management Committee, a member of Investment Committee, Nomination Committee and Remuneration Committee of the Company. He is also a director of subsidiaries of the Company. Mr. Wang leads overall management and operation, strategic development, corporate governance, legal and financial management of the Company. He has a Bachelor's degree in Marine Mechanical Management from Dalian Maritime University of the PRC, the Executive Master's degree in Business Administration from China Europe International Business School and senior engineer qualification awarded by Ministry of Communications of the PRC. He previously served as the deputy general manager of Trade Division and head of Consolidated Trade Department of China Ocean Shipping (Group) Company, the deputy general manager of COSCO International Trading Company (presently known as COSCO International Trading Company Limited), the general manager of China Marine Bunker Supply Company (presently known as China Marine Bunker (PetroChina) Co., Ltd.), the general manager of COSCO Industry Company (presently known as COSCO Shipbuilding Industry Company) and a non-executive director of Sino-Ocean Land Holdings Limited (listed in Hong Kong) until his resignation in March 2011. Mr. Wang has extensive experience in the technical management, investment management and corporate operation in the business of bunker oil supply, shipbuilding industry and coating industry.

6. Mr. MENG Qinghui

aged 55, has been an Executive Director of the Board of the Company since March 2002 and re-designated as Non-executive Director since July 2008. He is a director of a subsidiary of the Company and is also the managing director of Finance Division of COSCO (Hong Kong) Group Limited, a director of True Smart International Limited, a non-executive director of Chong Hing Bank Limited (listed in Hong Kong) and Soundwill Holdings Limited (listed in Hong Kong). Mr. Meng graduated from Central South University and has the PRC Accountant qualification. He has extensive experience in corporate financial management and accounting and is also familiar with corporate financial planning.

7. Mr. CHEN Xuewen

aged 46, has been an Executive Director of the Board of the Company since August 2006 and re-designated as Non-executive Director since July 2008. He is also the managing director of Strategic Planning and Development Division of COSCO (Hong Kong) Group Limited. Mr. Chen graduated from the Peking University in Economics and Management. He had been the department head of the Planning Department of Strategic Planning Division of China Ocean Shipping (Group) Company, general manager of Beijing Ocean Plaza Co., Ltd. and deputy general manager of COSCO H.K. (Beijing) Investment Co., Ltd.. Mr. Chen has extensive experience in corporate management and operation.

8. Mr. LIN Wenjin

aged 52, has been an Executive Director of the Board of the Company since August 2006 and a member of Executive Committee, Investment Committee and Remuneration Committee of the Company. He also serves as a Deputy Managing Director and a director of subsidiaries of the Company. Mr. Lin is in charge of investor relations, administrative and personnel management, business of marine equipment and spare parts of the Company. Mr. Lin has a Bachelor's degree in Engineering from Shanghai Maritime University of the PRC and the marine chief engineer certificate, senior engineer qualification awarded by the Ministry of Communications of the PRC. He had worked in China Ocean Shipping (Group) Company and had been the assistant manager of Technical Department, chief of New Building Section in Japan, manager of Development Department of Ocean Tramping Company, Limited and had been the deputy general manager of Development Division and Strategic Planning Division, the managing director of Executive Division of COSCO (Hong Kong) Group Limited. He had participated in the acquisitions and financing activities of listed companies. Mr. Lin has extensive experience in shipping management, new shipbuilding, corporate management and planning and capital market operations.

9. Mr. KWONG Che Keung, Gordon

aged 61, has been an Independent Non-executive Director of the Board of the Company since September 2004 and is the chairman of Audit Committee, a member of Nomination Committee and Remuneration Committee of the Company. Mr. Kwong is also independent non-executive director for a number of companies listed in Hong Kong, namely Beijing Capital International Airport Company Limited, NWS Holdings Limited, OP Financial Investments Limited, China Chengtong Development Group Limited, Global Digital Creations Holdings Limited, Quam Limited, CITIC Telecom International Holdings Limited (formerly known as CITIC 1616 Holdings Limited), China Power International Development Limited, Henderson Land Development Company Limited, Henderson Investment Limited and Agile Property Holdings Limited. He has a Bachelor's degree in Social Science from the University of Hong Kong and is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. From 1984 to 1998, Mr. Kwong was a partner of Price Waterhouse. He was an independent member of the council of The Stock Exchange of Hong Kong Limited from 1992 to 1997, during which, he had acted as convener of both the compliance committee and the listing committee. He previously served as an independent non-executive director of Ping An Insurance (Group) Company of China, Limited (listed in Hong Kong and the PRC) for two terms of three years to June 2009, an independent non-executive director of Tianjin Development Holdings Limited (listed in Hong Kong) until his retirement in May 2010, an independent non-executive director of China Oilfield Services Limited (listed in Hong Kong and the PRC) until his retirement in May 2010, and an independent non-executive director of Frasers Property (China) Limited (listed in Hong Kong) until his resignation in January 2011.

10. Mr. TSUI Yiu Wa, Alec

aged 61, has been an Independent Non-executive Director of the Board of the Company since February 2004 and the chairman of Nomination Committee, a member of Audit Committee and Remuneration Committee of the Company. Mr. Tsui is also the chairman of WAG Worldsec Corporate Finance Limited, a director of Industrial and Commercial Bank of China (Asia) Limited (previously listed in Hong Kong and delisted in December 2010). He is also an independent non-executive director of a number of listed companies in Hong Kong, namely, China Power International Development Limited, China Chengtong Development Group Limited, China BlueChemical Ltd., Pacific Online Limited, China Oilfield Services Limited (also listed in the PRC), Arnhold Holdings Limited as well as an independent director of companies listed on NASDAQ including Melco Crown Entertainment Limited and ATA Inc.. Mr. Tsui graduated from the University of Tennessee, the United States and was awarded a Bachelor of Science degree and a Master of Engineering degree in Industrial Engineering and had completed the Program for Senior Managers in Government at the John F. Kennedy School of Government at Harvard University, the United States. He was the chairman of Hong Kong Securities Institute from 2001 to 2004 and the chief operating officer of Hong Kong Exchanges and Clearing Limited in 2000 and the adviser and council member of the Shenzhen Stock Exchange from July 2001 to June 2002. He has numerous years of experience in finance and administration, corporate and strategic planning, information technology and human resources management. He previously served as independent non-executive director of the following listed companies in Hong Kong, namely, Synergis Holdings Limited until his resignation in September 2008, Vertex Group Limited (presently known as National Arts Holdings Limited) until his retirement in April 2009, Greentown China Holdings Limited until his retirement in June 2010, China Huiyuan Juice Group Limited until his resignation in July 2010.

11. Mr. JIANG, Simon X.

aged 57, has been an Independent Non-executive Director of the Board of the Company since April 2007 and is the chairman of Remuneration Committee, a member of Audit Committee and Nomination Committee of the Company. He is also the chairman of Cyber City International Limited and an independent non-executive director of SPG Land (Holdings) Limited (listed in Hong Kong). Mr. Jiang is also a director of China Foundation for Disabled Persons, a trustee of Cambridge China Development Trust and a senior associate at the Judge Business School of Cambridge University of England. He is currently a member of the National Committee of the Chinese People's Political Consultative Conference and the United Nations Investments Committee. Mr. Jiang received his Bachelor's degree from Beijing Foreign Studies University, Master's degree from Australian National University and Doctorate's degree in Economics from Cambridge University of England. Mr. Jiang was the deputy chief of United Nations Joint Staff Pension Fund Investment Management Service, a director of Zi Corporation, an advisory board member of Capital International Inc. of United States, Rothschild Investment Bank of England and an independent non-executive director of China Oilfield Services Limited (listed in Hong Kong and the PRC) until his retirement in May 2010. He has experience in fund management.

The Directors' interests in shares and underlying shares of the Company and its associated corporations, if any, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as at 31st December 2010 are disclosed in the section headed "DIRECTORS' INTERESTS IN SECURITIES" of the Directors' Report.

Mr. Liang Yanfeng and Mr. Meng Qinghui are directors of True Smart International Limited ("True Smart"). Mr. Wang Futian and Mr. Liang Yanfeng are directors of COSCO (Hong Kong) Group Limited ("COSCO Hong Kong") and each of Mr. Meng Qinghui and Mr. Chen Xuewen is the managing director of Finance Division and Strategic Planning and Development Division of COSCO Hong Kong respectively. Mr. Zhang Fusheng is the executive vice president of China Ocean Shipping (Group) Company ("COSCO"). True Smart has, COSCO Hong Kong and COSCO are deemed to have an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO respectively, the details of which are disclosed in section headed "SUBSTANTIAL SHAREHOLDERS" of the Directors' Report.

Save as disclosed in the Directors' respective biographical details under "PROFILE OF DIRECTORS AND SENIOR MANAGEMENT" section and other part in this annual report, the Directors (a) have not held any directorships in other publicly listed companies, whether in Hong Kong or overseas, during the last three years; (b) do not hold any other positions in the Company and its subsidiaries; and (c) do not have any other relationships with any Directors, senior management or substantial or controlling shareholders of the Company as at 31st March 2011.

The Directors (except Executive Directors) have on 30th June 2010 entered into the letters of appointment with the Company for a specific term from 1st June 2010 up to the conclusion of the 2012 annual general meeting of the Company. Each of the above letters of appointment is subject to termination by either party giving one month's notice in writing or such other shorter notice period as may be agreed by both parties.

The Directors (except (i) Non-executive Directors and (ii) Mr. Zhang Fusheng and Mr. Liang Yanfeng being Executive Directors) will receive the Directors' emoluments for the year 2011, in the amounts determined by the Board from time to time subject to shareholders' approval at the annual general meeting of the Company. The current amounts of the Directors' emoluments have been determined with reference to the prevailing market conditions, directors' experience, qualifications and responsibilities involved in the Company.

The details of the emoluments of the Directors on a named basis are disclosed in note 30(a) to the financial statements.

SENIOR MANAGEMENT

Mr. LO Siu Leung, Tony

aged 47, has been the Financial Controller of the Company since September 2005. Mr. Lo is a fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He holds a Master's degree of Business Administration from The Hong Kong University of Science and Technology. Mr. Lo had previously worked for an international accounting firm, The Stock Exchange of Hong Kong Limited and several listed companies. He has extensive experience and expertise in corporate finance, corporate governance and financial planning.

Ms. CHIU Shui Suet

aged 44, has been the Company Secretary of the Company since October 2005. Ms. Chiu obtained a Bachelor of Laws degree from the University of Wolverhampton and completed her Postgraduate Certificate in Laws at the City University of Hong Kong. Ms. Chiu was admitted as a solicitor in Hong Kong. Besides, she is also a fellow member of The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. Prior to joining the Company, Ms. Chiu had worked for accounting firms, legal firm and listed companies. She has extensive experience and solid knowledge in dealing with the company secretarial and legal matters of listed company.

Mr. WANG Weibin

aged 47, joined the Company since January 2010 and is the assistant to the Managing Director of the Company. Mr. Wang graduated from Shanghai Maritime University, majoring in Marine Engineering in 1986. Mr. Wang joined COSCO Group and worked on the ship as an engineer after graduation. From 1991 to 2001, he worked as a superintendent, division chief of the Maintenance Division, Equipment Division and Technology Management Division of Guangzhou Ocean Shipping Company. From 2002 to 2006, Mr. Wang was the head of the Marine Technology Department (office in charge) of China Ocean Shipping (Group) Company. From 2006 to 2009, Mr. Wang was the deputy general manager of COSCO International Ship Trading Company Limited. He has been the vice chairman of the 5th Ship Pollution Prevention Committee of China Institute of Navigation and a member of Classification Committee of China Classification Society. Mr. Wang has senior engineer and certified safety engineer qualifications. He has been engaged in marine technology for years and has rich knowledge and extensive management experience in marine maintenance, machinery management, technology management, spare parts and supplies management, fuel and lubricants management, energy conservation technology, anti-pollution, port state control, as well as ship trading.

Mr. CHEN Daming

aged 53, joined COSCO International Ship Trading Company Limited since January 1998 and is the Managing Director of COSCO International Ship Trading Company Limited. Mr. Chen graduated from Dalian Maritime University majoring in Shipping Engineering Management and joined Tianjin Ocean Shipping Company after graduation. He had been the assistant engineer, fourth engineer, third engineer and traveled with COSCO's crews all over the world. In 1987, Mr. Chen was assigned to work in the Shipbuilding Division of China Ocean Shipping (Group) Company and in charge of the sale and purchase of second-hand vessels, scrap vessels and containers businesses. Mr. Chen has awarded senior engineer qualification and has extensive experience in ship trading.

Mr. SUN Guangcheng

aged 58, has been the Managing Director of COSCO (Hong Kong) Insurance Brokers Limited since November 2001. Following his graduation from Shanghai Maritime University majoring in Shipping Transportation, Mr. Sun joined Tianjin Ocean Shipping Company. From 1984 to 1988, he had been the deputy division chief of Commercial Division and division chief Insurance & Claim Division of Tianjin Ocean Shipping Company. Later, he had been appointed as the chief representative of China Ocean Shipping (Group) Company in Syria and Cyprus from 1988 to 1991. Having returned to China in September 1991, Mr. Sun had been the deputy general manager of COSCO Tianjin Freight & Forwarding Co., Ltd., the general manager of COSCO Tianjin Container Lines Freight & Forwarding Co., Ltd., the deputy general manager cum corporate legal advisor of Tianjin COSCO International Freight & Forwarding Co., Ltd. Mr. Sun is a senior economist and he has sound knowledge in marine insurance and extensive experience in the management of marine and commercial legal cases.

Mr. QIU Ming

aged 50, has been the Managing Director of Yuantong Marine Service Co. Limited since January 2006. Mr. Qiu graduated from Shanghai Marine College, majoring in Marine Engineering in 1982. After graduation, he worked as a member, deputy division chief and division chief of Safety and Technology Division of the Second Department and as division chief of Equipment Division of Technology Department of Shanghai Ocean Shipping Company. In 1999, Mr. Qiu worked as the general manager of Chung Lin Marine Service Corporation in Japan. He has much experience in managing the supply of marine equipment, spare parts, ship fuels as well as marine technology.

Mr. DONG Zhaoming

aged 53, has been the General Manager of Jotun COSCO Marine Coatings (HK) Limited since January 2006. Mr. Dong graduated from Shanghai Coating Polytechnic, majoring in Chemistry in 1977, subsequently majored in English and Management respectively in Shanghai International Studies University and Shanghai Jiao Tong University, and obtained his Master's degree of Business Administration from the Macau University of Science and Technology in 2002. Mr. Dong worked as a manager of the Production Department and the Sales Department of International Paints of Shanghai Co. Ltd. during the period from 1981 to 1996. Since 1998, he worked as the general manager of Jotun Paints (H.K.) Limited Shanghai Representative Office. Mr. Dong has extensive experience in coatings technology, sales, marketing management and purchasing management.

Mr. XIN Liwen

aged 45, has been the Managing Director of COSCO Kansai Paint & Chemicals (Tianjin) Co., Ltd., COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd. and COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd. since January 2010 respectively. Mr. Xin graduated from Wuhan University of Technology majoring in ship power engineering and obtained a Bachelor degree in engineering in July 1988. In July 2000, he obtained a Master's degree in Business Administration from Nankai University. In 1988, Mr. Xin joined Tianjin Ocean Shipping Company and worked on the ship. He worked as deputy division chief of Vessel Fleet Division of Technical Department of Tianjin Ocean Shipping Company, deputy division chief and division chief of Vessel Fleet Division of Technical Department of COSCO Bulk Carrier Co., Ltd., general manager of Marine Service Department of Hoi Tung Marine Machinery Suppliers Limited, managing director of Yuantong Marine Service Co. Limited and deputy general manager of Jotun COSCO Marine Coatings (HK) Limited. Mr. Xin has senior engineer qualification and has extensive management experience in ship technology, marine coatings enterprises and trading in marine equipment and spare parts.

Mr. LI Min

aged 47, has been the Managing Director of COSCO International Trading Company Limited since March 2008. Mr. Li graduated from Wuhan University of Technology major in Marine Mechanical and obtained his Master's degree in Economics from Renmin University of China. Mr. Li joined COSCO Group and served as officer of the Technical Department from 1984 to 1994. He had been designated by China Ocean Shipping (Group) Company to act as the general manager of Yuan Tong (Holland) Marine Service Company B.V. and the deputy general manager of Hanyuan Technical Service Center GmbH from 1994 to 1999. Having returned to China in 1999, Mr. Li had been an assistant to general manager of China Marine Bunker Supply Company (now known as China Marine Bunker (Petro China) Co., Ltd.), manager of General Trading Department, assistant to general manager, deputy general manager and general manager of COSCO International Trading Company (now known as COSCO International Trading Company Limited). Mr. Li was awarded with the professional qualification of senior engineer and he has sound knowledge in ship engineering and international trading and extensive experience in enterprise management.

Mr. ZHANG Mai

aged 40, has been the Managing Director of Sinfeng Marine Service Pte. Ltd. since April 2011. Mr. Zhang graduated from Shanghai Maritime University and joined Shipping Department of Shanghai Ocean Shipping Company in 1992 and Business Division of COSCO Bulk Carrier Company in 1995. He also joined Liner Department of COSCO Container Lines Company Limited in 1999 and had been deputy manager of fuel oil business management, business manager and senior business representative. Mr. Zhang has been responsible for the supply of worldwide fuel oil business for COSCO Group's fleets. He has profound understanding and experience in the international fuel oil market and has extensive personal network in worldwide marine fuel oil market and among shipowners in China.

THE COMMITMENT AND COMPLIANCE OF THE COMPANY

The Board is committed to maintaining high standards of corporate governance. It believes that high standards of corporate governance provide a framework and solid foundation for the Group to manage business risks, enhance transparency, maintain high standard of accountability and protect the Shareholders' interest in general. The Board has adopted a Corporate Governance Statement of Policy (available on the Company's website www.coscointl.com) which gives guidance on how corporate governance principles are applied to the Company.

The Company had applied the principles and complied, throughout the year ended 31st December 2010, with all the applicable code provisions and, where appropriate, the applicable recommended best practices of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules.

In addition to complying with applicable statutory requirements, the Company aims to continually review and enhance its corporate governance practices in light of local and international best practices.

THE BOARD OF DIRECTORS

The overall management of the Company's business is vested in the Board. The Board takes responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, and monitoring the performance of the senior management. The Directors have to take decisions objectively in the interests of the Company.

The day-to-day management, administration and operation of the Company are delegated to the Managing Director and the senior management of the Company. The delegated functions and work tasks are periodically reviewed. The Board is currently composed of five Executive Directors (including the Chairman, the Vice Chairman and the Managing Director of the Company), three Non-executive Directors and three Independent Non-executive Directors, whose biographical details are set out in "PROFILE OF DIRECTORS AND SENIOR MANAGEMENT".

Board Proceedings

The Board met regularly and held four regular meetings in 2010. Notice of meeting was sent to the Directors at least 14 days prior to a regular Board meeting, and the Directors were invited to include any matters which they thought appropriate in the agenda for regular Board meetings. The Board conducted the following principal activities in the four Board meetings during the year:

- adoption of the recommendations of the Audit Committee;
- approval of the connected transactions management policy and incorporated to the rules and regulations of the Company;
- interim and annual review of the report on the business operations;
- approval of interim and annual results, announcements, interim and annual report, determining dividends; matters to be considered at annual general meeting; approval of directors' fee of Independent Non-executive Directors;
- adoption of the recommendations of the Risk Management Committee; and
- approval of business plan and financial budget; review of the management accounts and financial forecast.

Directors had access to the services of the Company Secretary who is responsible for ensuring the compliance of the Board procedures, and all applicable rules and regulations are followed. Directors were permitted to seek independent professional advice, if necessary, at the Company's expense.

Minutes of the Board meetings (including minutes of all Board Committees meetings) had been kept by the Company Secretary that are available for directors' inspection at the Company's principal place of business. Minutes of the Board meetings and the Board Committees meetings were recorded in detail and were sent to the Directors for their review and comment within a reasonable time (generally within 7 days) after each meeting. Final version of minutes of respective meetings had been sent to the Directors for records.

Where a substantial shareholder or a Director had a conflict of interest in a matter to be considered by the Board which the Board had determined to be material, a Board meeting was held instead of by way of circulation and with the presence of Independent Non-executive Directors.

There was in place a Directors' and Officers' Liabilities Insurance cover in respect of legal actions against the Directors and officers arising out of corporate activities.

All Board Committees have adopted broadly the same principles and procedures as stated in A.1.1 to A.1.8 of the CG Code.

Chairman and Managing Director

The position of the Chairman, the Vice Chairman and the Managing Director are currently held by Mr. Zhang Fusheng, Mr. Wang Futian and Mr. Wang Xiaodong respectively. In order to reinforce their respective independence, accountability and responsibility, the roles of the Chairman and the Vice Chairman have been separated from that of the Managing Director. The Chairman and the Vice Chairman are responsible for formulating the overall strategies and policies of the Company and the Managing Director is responsible for developing strategic plans and formulating the organisational structure, control systems and internal procedures and processes for the Board's approval. Division of responsibilities between the Chairman, the Vice Chairman and the Managing Director is clearly defined and set out in writing.

The Chairman has a clear responsibility to ensure that all Directors being properly briefed on issues arising at the Board meetings and given adequate, accurate, complete and reliable information in a timely manner.

The Chairman also ensures that the Board works effectively and discusses all key and appropriate issues in a timely manner.

Meeting between the Chairman and Independent Non-executive Directors without Executive Directors presence, held at least once a year. Such meeting was held in March 2010. The Board regarded such meeting as opinion exchange gathering whereby a broad range of strategic and performance matters may be openly discussed.

Board Composition

The Board currently comprises eleven Directors, namely, Mr. Zhang Fusheng (Chairman), Mr. Wang Futian (Vice Chairman), Mr. Liang Yanfeng, Mr. Wang Xiaodong (Managing Director) and Mr. Lin Wenjin as Executive Directors; Mr. Jia Lianjun, Mr. Meng Qinghui and Mr. Chen Xuewen as Non-executive Directors; and Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec and Mr. Jiang, Simon X. as Independent Non-executive Directors. The composition of the Board, by category of Executive Directors, including names of the Chairman, the Vice Chairman and the Managing Director, Non-executive Directors and Independent Non-executive Directors, was disclosed in all corporate communications.

During the year, the Board at all times met the requirements of the Listing Rules relating to having at least three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received annual written confirmation from each of the Independent Non-executive Directors confirming his independence in accordance with Rule 3.13 of the Listing Rules. The Board has accessed their independence and concluded that all the Independent Non-executive Directors are independent within the definition of the Listing Rules.

Biographies of Directors, including clear designation of their roles and responsibilities are maintained on the Company's website.

Appointments, Re-election and Removal

All Non-executive Directors (including Independent Non-executive Directors) have entered into the letters of appointment with the Company on 30th June 2010 for a specific term from 1st June 2010 up to the conclusion of the 2012 annual general meeting of the Company.

Pursuant to the bye-laws of the Company, any director appointed to fill vacancy shall hold office until the next following general meeting or annual general meeting of the Company and shall then be eligible for re-election at that meeting, and every Director is subject to retirement by rotation at least once every three years and shall be eligible for re-election at such annual general meeting of the Company.

In order to enable the Shareholders to make an informed decision on the re-election of Directors, the biographical details demonstrating qualifications, experience, expertise, skills and other directorships held in listed companies of the retiring Directors were set out in the circular which was dispatched to the Shareholders accompanied with annual report 2009.

Responsibilities of Directors

The Company ensures that every newly appointed Director should receive a comprehensive information package containing an introduction to the operation of the Group, the Director's responsibilities and duties and other statutory requirements upon his appointment. The Company Secretary is responsible for keeping all Directors updated on the Listing Rules and other statutory requirements.

Non-executive Directors were well aware of their functions and had been actively performing their functions including but not limit to bring an independent judgment at the Board meeting, take the lead where potential conflicts of interests arise and scrutinise the Company's performance. Independent Non-executive Directors are also members of the Audit, Remuneration and Nomination Committees. There were satisfactory attendances and active participations at the Board meetings, the Board Committees meetings and the general meetings by the Directors.

Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions of Directors and employees (the "Securities Code") (available on the Company's website) no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. In order to ensure Directors' dealings in the securities of the Company are conducted in accordance with the Model Code and the Securities Code, a committee comprising the Chairman, the Vice Chairman, the Managing Director and the Deputy Managing Director(s) of the Company was set up to deal with such transactions. The Company had made specific enquiry of all Directors regarding any non-compliance with the Model Code and the Securities Code during the year of 2010, all Directors confirmed that they had complied with the required standards set out in the Model Code and the Securities Code during the year.

Each of the Directors had confirmed their other directorships held in public companies or organisations at least twice a year. Independent Non-executive Directors had during the year contributed to the Board their constructive and valuable advice to the Company in the development of the Company's strategy, in particular the internal controls of the Company.

Supply of and Access to Information

The Company Secretary assists the Chairman to prepare the agenda of the regular Board meetings. Agenda and accompanying board papers were sent to all Directors at least 3 days (generally at least 7 days) before the meeting unless it was on urgent basis in order to ensure that they had sufficient time to review the papers and be adequately prepared for the meeting. Queries raised by the Directors would be responded promptly by the management.

The senior management worked closely with the Board and met each other on a regular basis. They provided the Board with adequate and sufficient information on the Company's operation through financial reports, business operation reports, business plan and financial budgets on a regular basis so that the Board could discharge its responsibilities.

DELEGATION BY THE BOARD

Management Functions

The segregation of duties and responsibilities between the Board and the management has been defined and provided as internal guidelines of the Company.

The duties of the Board include:

- formulating the Company's operational strategies and management policies and establishing corporate governance and internal control system;
- setting the objectives and targets with a view to enhance Shareholders' value to management; and
- monitoring performance of management and providing guidance to the management.

The duties of the management include:

- reviewing the business and operation performance;
- ensuring adequate fundings; and
- monitoring performance of the management of the Group.

Board Committees

In order to assist the Board in the execution of its duties, the Board has established the Audit Committee, the Remuneration Committee, the Nomination Committee, the Investment Committee, the Risk Management Committee and the Executive Committee with respective terms of reference which clearly defined its authority and duties. All Board Committees are provided with sufficient resources to discharge their duties. The Chairmen of the Board Committees reported to the Board their work, findings and recommendations at the Board meetings.

Remuneration Committee

The Remuneration Committee was established in March 2005 with specific written terms of reference in accordance with the requirements of the CG Code. The terms of reference of the Remuneration Committee is available on the Company's website. A majority of members of the Remuneration Committee is Independent Non-executive Director. The Remuneration Committee currently comprises all Independent Non-executive Directors, namely Mr. Jiang, Simon X. (chairman of the Remuneration Committee), Mr. Kwong Che Keung, Gordon and Mr. Tsui Yiu Wa, Alec; and two Executive Directors, namely Mr. Wang Xiaodong and Mr. Lin Wenjin.

The main duties of the Remuneration Committee include:

- making recommendation on the policy for the remuneration of the Company; and
- ensuring the remuneration offered is appropriate for the duties and in line with market practice.

The Remuneration Committee would consult the Chairman or the Vice Chairman the proposals relating to the remuneration of other Executive Directors, if any. The Remuneration Committee may have access to external professional advice if considered necessary at the Company's expenses.

During the year, the Remuneration Committee held two meetings in May and August 2010 to review the Directors' fees of Independent Non-executive Directors with reference to the market survey and to carry out annual review of the remuneration report of the Company for the year 2009/2010 respectively.

Details of remuneration of the Vice Chairman, the Managing Director and Deputy Managing Director(s) who are also the Executive Directors, and the Independent Non-executive Directors are disclosed on an individual basis in this annual report.

Audit Committee

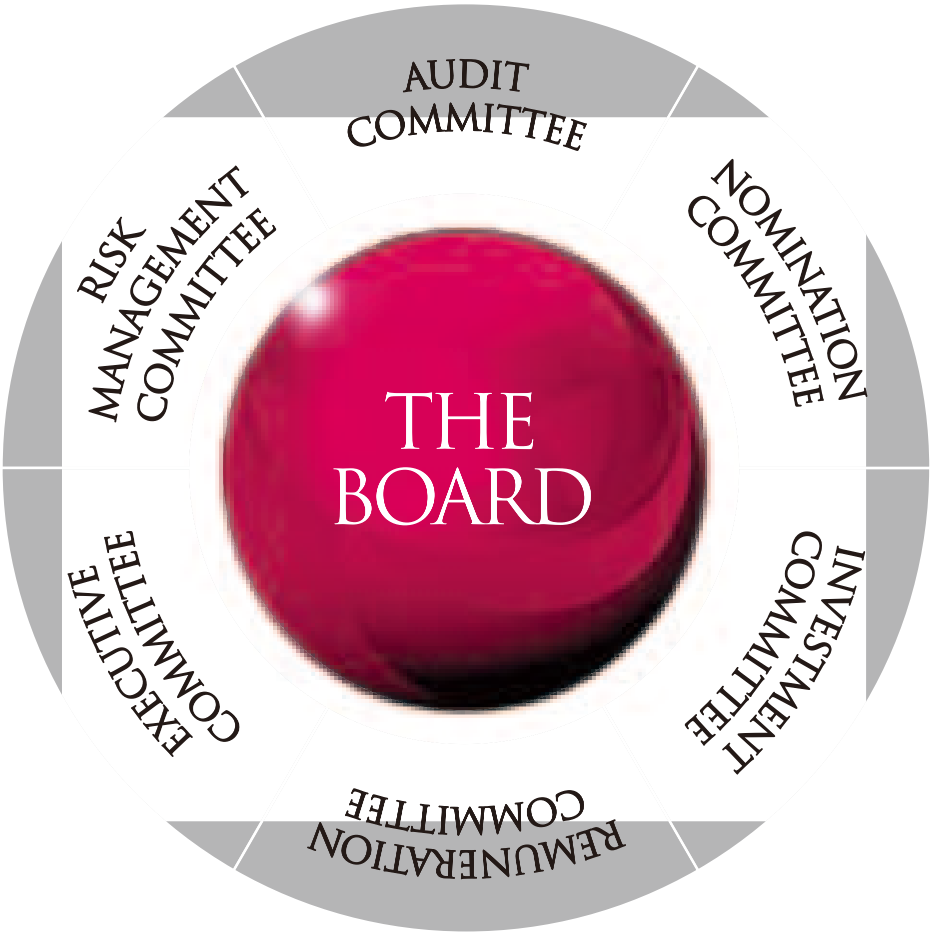
The Audit Committee was established in September 1998 with specific written terms of reference which clearly defined its authority and duties. The terms of reference has coverage on the scope of duties as required in the code provisions of the CG Code and is available on the Company's website.

Other than covering the scope of duties as required in the code provisions of the CG Code, the Audit Committee's scope of duties were extended to include reviewing the complaint and deciding how the investigation should proceed under the whistleblowing policy adopted by the Company:

(1) to approve and monitor procedures enabling the following, and ensuring the fair and independent investigation and appropriate follow-up of such matters:

(a) receipt, retention and treatment of complaints received by the Company regarding accounting, financial reporting, internal control, auditing and other matters; and

(b) anonymous submission by the employees of the Company of concerns regarding questionable accounting, financial reporting, internal control, auditing and other matters.



The Company has adopted a whistleblowing policy in September 2008 under which employees have been provided a channel and guideline to report any misconduct, malpractice or impropriety concerns within the Group. The policy includes the establishment of an electronic reporting mailbox and a hotline. All reporting are treating as confidential and sensitive manner. The chairman of the Audit Committee will review the complaint and decide how the investigation should proceed. Details of the whistleblowing policy are available on the Company's website. Up till now, no complaint from the employee was received.

(2) the Audit Committee acts as the key representative body of the Company and is responsible to oversee the relationship between the Company and the external auditor, include the relationships involving the provision of non-audit services.

The Audit Committee currently comprises all Independent Non-executive Directors, namely Mr. Kwong Che Keung, Gordon who is a certified public accountant (chairman of the Audit Committee) Mr. Tsui Yiu Wa, Alec and Mr. Jiang, Simon X.. Except Mr. Kwong Che Keung, Gordon, the Independent Non-executive Director, who was a partner of Price Waterhouse from 1984 to 1998, none of the members of the Audit Committee are former partners of the Company's existing auditing firm.

The main duties of the Audit Committee include:
- reviewing the accounting policies and supervising the Company's financial reporting process;
- monitoring the performance of both the internal and external auditors;
- reviewing and examining the effectiveness of the financial reporting procedures and internal controls; and
- ensuring compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, and internal rules and procedures approved by the Board.

Draft minutes of the Audit Committee meetings prepared by the secretary of the Committee were circulated to the Committee members for comments after respective meetings. Full minutes of the meetings were circulated to the Board and kept by the secretary of the Committee.

During the year, the Audit Committee held two meetings with the external auditor and the senior management of the Company, in March and August 2010 respectively. The major works performed by the Audit Committee in 2010 included:

- reviewing and making recommendation for the Board's approval on the draft annual report 2009 as well as the audited consolidated financial statements for the year ended 31st December 2009 and interim report 2010 and the unaudited consolidated financial statements for the period ended 30th June 2010;
- reviewing the effectiveness of the internal control and risk management system;
- reviewing the continuing connected transactions of the Group for the year ended 31st December 2009 and the period ended 30th June 2010;
- reviewing the cash flow forecast and financial budget for the year of 2010;
- making recommendation to the Board that, subject to the Shareholders' approval at the forthcoming annual general meeting, PricewaterhouseCoopers would be re-appointed as the external auditor of the Company; and
- reviewing the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

Nomination Committee

The Nomination Committee was established in March 2005 with specific written terms of reference and comprising a majority of Independent Non-executive Directors. The Nomination Committee currently comprises all Independent Non-executive Directors, namely Mr. Tsui Yiu Wa, Alec (chairman of the Nomination Committee), Mr. Kwong Che Keung, Gordon and Mr. Jiang, Simon X.; and an Executive Director, Mr. Wang Xiaodong. The terms of reference of the Nomination Committee is available on the Company's website .

The Nomination Committee is mainly responsible for reviewing the Board composition, monitoring the appointment and succession planning of Directors and assessing the independence of Independent Non-executive Directors.

The Company has adopted a Director Appointment Policy in December 2008 (available on the Company's website) to provide a framework and set the standards for the appointment of high quality directors who should have the capacity and ability to lead the Company towards achieving sustainable development.

During the year, the Nomination Committee held a meeting in December 2010 to review the Board composition, assessing the independence of Independent Non-executive Directors and assessing the contribution from the members of the Board to the Board committees and the Board.

Executive Committee

The Executive Committee was established in March 2005, with specific written terms of reference. The Executive Committee currently comprises Mr. Wang Xiaodong (chairman of the Executive Committee), Mr. Wang Futian, Mr. Liang Yanfeng and Mr. Lin Wenjin, all being Executive Directors. The terms of reference of Executive Committee is available on the Company's website .

The Executive Committee is mainly responsible for implementing the strategies, reviewing the business performance and monitoring performance of the management of the Group.

During the year, the Executive Committee held a meeting in December 2010 to review the business operations, strategic development, corporate governance and performance of safety production during the year of 2010.

Investment Committee

The Investment Committee was established in March 2005, with specific written terms of reference. The Investment Committee currently comprises Mr. Liang Yanfeng (chairman of the Investment Committee), Mr. Wang Futian, Mr. Wang Xiaodong and Mr. Lin Wenjin, all being Executive Directors. The terms of reference of Investment Committee is available on the Company's website .

The Investment Committee is mainly responsible for reviewing the investment policies, reviewing and concurring with any major investment project(s) and advising the Board on the investment of the Company.

During the year, the Investment Committee held three meetings in January, May and August 2010 respectively in relation to the establishment of Shin Chung Lin in Japan, the acquisition of the entire issued share capital of Xing Yuan and the disposal of entire shareholdings held by the Group in SOLHL.

Risk Management Committee

The Risk Management Committee was established in March 2005, with specific written terms of reference. The Risk Management Committee currently comprises Mr. Wang Xiaodong (chairman of the Risk Management Committee), Mr. Wang Futian and Mr. Liang Yanfeng, all being Executive Directors. The terms of reference of the Risk Management Committee is available on the Company's website .

The Risk Management Committee is mainly responsible for formulating and reviewing the risk management procedure and internal control system and monitoring the implementation of risk control.

During the year, the Risk Management Committee held a meeting in November 2010 to discuss a report submitted by the Internal Audit Department. The report was about the implementation of risk management and internal control of the Group, content of which include risk management analysis on the Group's accounts receivable and foreign exchange and provides recommendations on areas of improvement. The Board was satisfied with the said report submitted to the 4th regular Board meeting in 2010.

Attendance Record at the Board Meetings and Board Committee Meetings

During the year, the attendance records of the individual Directors at the Board meetings and Board Committee meetings are set out in the following table:

	Board	Audit Committee	Executive Committee	Investment Committee	Nomination Committee	Remuneration Committee	Risk Management Committee
Executive Directors							
Mr. Zhang Fusheng	4/4	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Wang Futian	4/4	N/A	1/1	3/3	N/A	N/A	1/1
Mr. Liang Yanfeng *Note (1)*	4/4	N/A	1/1	3/3	0/0	1/1	1/1
Mr. Wang Xiaodong *Note (2)*	4/4	N/A	1/1	3/3	1/1	1/1	1/1
Mr. Lin Wenjin	4/4	N/A	1/1	3/3	N/A	2/2	N/A
Non-executive Directors							
Mr. Jia Lianjun	4/4	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Meng Qinghui	3/4	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Chen Xuewen	3/4	N/A	N/A	N/A	N/A	N/A	N/A
Independent Non-executive Directors							
Mr. Kwong Che Keung, Gordon	4/4	2/2	N/A	N/A	1/1	2/2	N/A
Mr. Tsui Yiu Wa, Alec	4/4	2/2	N/A	N/A	1/1	2/2	N/A
Mr. Jiang, Simon X.	4/4	2/2	N/A	N/A	1/1	2/2	N/A
Ex-Directors							
Mr. Li Jianhong *Note (3)*	2/2	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Wang Xiaoming *Note (4)*	1/2	N/A	0/0	2/2	N/A	N/A	0/0

Notes

(1) Mr. Liang Yanfeng was appointed committee chairman of Investment Committee and resigned as committee member of each of Remuneration Committee and Nomination Committee on 11th August 2010. On the same day, he resigned as committee chairman but remained as committee member of Risk Management Committee.

(2) Mr. Wang Xiaodong was appointed committee chairman of Risk Management Committee and committee member of each of Remuneration Committee and Nomination Committee on 11th August 2010.

(3) Mr. Li Jianhong resigned as Non-executive Director on 11th August 2010.

(4) Mr. Wang Xiaoming resigned as Executive Director on 11th August 2010 and accordingly ceased to be committee chairman and member of Investment Committee and the committee member of each of Executive Committee and Risk Management Committee.

ACCOUNTABILITY AND AUDIT

Financial Reporting

Management was required to provide detailed report(s) and explanation to enable the Board to make an informed assessment of the financial and other information put before for approval.

The Directors acknowledged their responsibility for preparing the financial statements of the Group. The Directors were not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern. The Company aimed to present a clear and balanced assessment of its financial position and prospects. The Board must ensure that the financial statements of the Group are prepared so as to give a true and fair view of the financial status of the Group. Audited financial statements are published in accordance with the disclosure requirement under the Listing Rules.

The Board aimed at presenting a balanced, clear and understandable assessment of the Company's position to the Shareholders and the public. Press conferences had been held twice a year. Information in relation to the Company had also been uploaded to the Company's website.

The reporting responsibilities of the Directors and the external auditor are further set out in the Independent Auditor's Report in this annual report. For the announcement of the Company relating to the price-sensitive information (if any) and other financial disclosures required under the Listing Rules are disclosed pursuant to statutory requirements.

Risk Management and Internal Control

The Board had overall responsibility for the system of internal controls and for reviewing its effectiveness to safeguard the Company's assets and the Shareholders' interests.

The Board has always regarded risk management as an important task and believes that effective corporate risk management is an essential element of good corporate governance. The Risk Management Committee and Audit Committee have been established under the Board, which are responsible for setting up, monitoring and reviewing the risk management procedures and internal control system of the Group.

The Group has always adopted the risk management framework formulated by the Committee of Sponsoring Organisations of the Treadway Commission in the United States of America as recommended by the Hong Kong Institute of Certified Public Accountants. When formulating risk management procedures, the Group appropriately takes into account the five elements of this risk management framework: the environmental control, risk assessment, control activities, information and communication, and monitoring.

At beginning of each year, the Group would identify and analyse the existing or potential risks over the course of business operation by taking into account the production and operation conditions of each business unit. The Group then assesses the possibilities that such risks may actualise and their impacts. Based on the result of analysis, the Group identifies the main risk and the management target. The management of each business unit of the Group is responsible for managing their respective day-to-day operating risks, and is responsible for implementing measures to reduce such risks. In addition, independent functional departments carry out monitoring on the implementation of risk management, and continuously review and assess the efficiency and adequacy of action plans. Such assessment results are regularly communicated and reported to the Risk Management Committee and the Board.

Internal Audit

The Internal Audit Department assists the Audit Committee in ensuring a sound and effective system of internal controls maintained by the Group. The Internal Audit Department performs regular review of the Group's internal controls based on the annual internal audit plan approved by the Audit Committee. The annual internal audit plan is arrived by using a risk-based approach to determine the priorities of the internal audit activity. The Audit Committee assesses the effectiveness of the internal control system by reviewing the work of the Internal Audit Department and its findings. The results of each audit and agreed-upon management action plan are reported on a timely basis to the management responsible for implementing changes, which should ensure the action plan to be implemented within an appropriate and reasonable timeframe. A follow-up review will be performed by the Internal Audit Department approximately three to six months after the date of the audit response to determine if the audit recommendations have been implemented. Follow-up work will continue until all recommendations have been appropriately addressed.

Management of each business unit should also confirm annually to the Internal Audit Department that business units under their control have taken or are in process of taking the appropriate actions to deal with all significant recommendations made by external auditors following their inspections (if any).

During the year, the Internal Audit Department had performed reviews on all major aspects of the Group's operations in Hong Kong, the PRC and overseas according to the approved internal audit plan. Findings and recommendations on internal control deficiencies were well communicated with the management such that action plans were developed by the management to address the issues identified. Post-audit reviews were scheduled to ensure the action plans were executed as designed. Key findings of each internal control review assignment were reported to and reviewed by the Audit Committee.

Internal Control

The chairman of the Audit Committee reported to the Board on key findings regarding internal audit work at least twice a year. The Board had conducted an annual review on the effectiveness of its internal control systems covering all material controls, including financial, operational and compliance controls as well as risk management functions. The Board believed that the internal control systems of the Group are effective and adequate.

The annual review of the adequacy of resources, qualifications or experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget was conducted by the Audit Committee in March 2010. The chairman of the Audit Committee reported to the Board the results of the review in March 2010. The Board believed that the Company has sufficient resources of staff and training on the accounting and financial reporting function.

COMMUNICATION WITH SHAREHOLDERS

Effective Communication

The Chairman of the Board attended the annual general meeting of the Company held on 1st June 2010 (the "2010 AGM") and the chairmen of the Audit, Remuneration and Nomination Committees were available to answer questions at the 2010 AGM. Moreover, the representative of the independent board committee attended the special general meetings of the Company held in 2010 to approve the connected transactions of the Company.

At the 2010 AGM, a separate resolution for each substantially separate issue was proposed, including election of individual Directors. Separate resolutions were also proposed at the other general meetings on each substantially separate issue.

During the year, all notices of general meetings to the Shareholders had been sent in the case of annual general meeting at least 20 clear business days before the meeting and at least 10 clear business days in the case of all other general meetings.

Voting by Poll

All resolutions at the general meetings of the Company shall be decided by way of poll so as to allow the Shareholders to have one vote for every share held. The chairman of a meeting had ensured that an explanation is provided of the detailed procedures for conducting a poll and then answer any questions from the Shareholders regarding voting by way of poll. The poll voting results of the general meetings were published on the websites of the Stock Exchange and the Company on the same day after the general meetings respectively.

AUDITOR'S REMUNERATION

During the year, the remuneration paid or payable to the Company's external auditor, PricewaterhouseCoopers in respect of audit and non-audit services provided to the Group were approximately HK$2,968,000 and HK$2,747,000 respectively.

The above non-audit services included professional advisory on taxation, professional services in relation to the Company's announcements and circulars, review interim results and continuing connected transactions.

INFORMATION DISCLOSURE AND INVESTOR RELATIONS

The Company adheres to high standards with respect to the disclosure of its financial statements. To foster regular and contribute two-way communications amongst the Company, its shareholders and potential investors, Corporate Communications Department is designated to respond to enquiries from the Shareholders and the public. In addition, the Company is committed to maximising the use of its website as a channel to provide updated information in a timely manner and strengthen the communications with both the public and the Shareholders.

MANAGEMENT MEETINGS

Members of Executive Committee and the senior management meet together on a weekly basis to review, discuss and make decisions on financial and operational matters. These meetings chaired by the Managing Director, enhance and strengthen departmental communications and cooperation within the Group.

CONNECTED TRANSACTIONS

The Company committed to ensuring compliance with regulatory requirements under the Listing Rules and applicable laws and regulations in handling connected transactions. Accordingly, the Company implemented various internal control mechanisms to capture and monitor connected transactions to ensure that connected transactions are approved by Independent Non-executive Directors, conducted under normal commercial terms or on terms that are fair and reasonable and properly disclosed and (if necessary) approved by the independent Shareholders in accordance with the Listing Rules. The connected persons were required to abstain from voting in the general meetings. Details of the connected transactions during the year are set out in the Directors' Report.

INCENTIVE SCHEME AND CORPORATE CULTURE

The Company maintains an employee handbook providing guidance to employees on matters such as employee dealings in the Company's securities, ethical standards, business conduct, employees conduct and reporting any misconduct within the Group. The employee handbook applies to all employees of the Group who must ensure strict compliance with the policies therein. Through the establishment of a performance charter for the senior management, appropriate appraisal mechanisms, and the granting of share options, the Company has been able to align the interests of the senior management and all the staff with the growth and performance of the Company. The Company pays particular attention to the establishment of an optimal corporate culture. With the support of all staff, the Company has identified, formulated and implemented a corporate culture that is considered appropriate for its special circumstances, thereby ensuring that good corporate governance is maintained at all levels and at all times within the Group.

By order of the Board

CHIU Shui Suet
Company Secretary
Hong Kong, 24th March 2011

Recommended Best Practices complied by the Company

The board of directors of the Company (the "Directors" or the "Board") presents this Directors' Report (the "Report") together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st December 2010.

PRINCIPAL ACTIVITIES

The Company's principal activity is investment holding. The principal activities of the Group include shipping services, general trading and property investments. An analysis of the revenue and segment information of the Group for the year is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December 2010 are set out in the consolidated income statement on page 112 of this annual report. The Board has recommended the payment of a final dividend of 3.00 HK cents (2009: 8.40 HK cents) per share and a special dividend of 35.00 HK cents (2009: nil) per share for the year ended 31st December 2010 subject to the approval of the shareholders of the Company (the "Shareholders") at the annual general meeting of the Company to be held on Thursday, 9th June 2011. Approximately HK$574,206,000 will be payable on or before Wednesday, 29th June 2011 to the Shareholders whose names appear on the register of members of the Company on Thursday, 9th June 2011.

The register of members of the Company will be closed from Friday, 3rd June 2011 to Thursday, 9th June 2011, both days inclusive, during which no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend and special dividend for the year ended 31st December 2010, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 2nd June 2011.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and of the Company during the year are set out in note 7 to the financial statements.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31st December 2010 calculated under Companies Act of Bermuda amounted to HK$1,551,557,000.

BORROWINGS

Borrowings repayable on demand or within one year are classified under current liabilities. Details of the borrowings are set out in note 25 to the financial statements.

RESERVES

Details of the movements in reserves of the Group and of the Company during the year are set out in note 23 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 22 to the financial statements.

DONATIONS

Donations made by the Group during the year amounted to approximately HK$202,000 (2009: HK$175,000).

FIVE-YEAR FINANCIAL SUMMARY

A five-year financial summary of the Group is set out on pages 199 and 200.

DIRECTORS

The Directors during the year and up to the date of the Report were:

Executive Directors

Mr. Zhang Fusheng *(Chairman)*
Mr. Wang Futian *(Vice Chairman)*
Mr. Liang Yanfeng
Mr. Wang Xiaodong *(Managing Director)*
Mr. Lin Wenjin
Mr. Wang Xiaoming
(resigned on 11th August 2010)

Non-executive Directors

Mr. Jia Lianjun
Mr. Meng Qinghui
Mr. Chen Xuewen
Mr. Li Jianhong
(resigned on 11th August 2010)

Independent Non-executive Directors

Mr. Kwong Che Keung, Gordon
Mr. Tsui Yiu Wa, Alec
Mr. Jiang, Simon X.

In accordance with bye-law 99 of the Company's bye-laws, Messrs. Jia Lianjun, Liang Yanfeng, Meng Qinghui, Lin Wenjin, Kwong Che Keung, Gordon and Tsui Yiu Wa, Alec shall retire from office at the forthcoming annual general meeting of the Company and be eligible for re-election except Mr. Kwong Che Keung, Gordon, who will not offer himself for re-election. Every Director shall be subject to retirement by rotation at least once every three years and a retiring Director shall be eligible for re-election at such annual general meeting of the Company.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Jia Lianjun, Mr. Meng Qinghui, Mr. Chen Xuewen, Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec and Mr. Jiang, Simon X., being the current Directors and Mr. Li Jianhong, the ex-Director, has entered into the letter of appointment with the Company on 30th June 2010 for a term commencing from 1st June 2010, the date of 2010 annual general meeting to the conclusion of the 2012 annual general meeting of the Company. Each of the above letters of appointment is subject to termination by either party giving one month's notice in writing or such other shorter notice period as may be agreed by both parties.

Saved as disclosed above, none of the Directors who are proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with any member of the Group which is not determinable within one year without the payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed under the section "DIRECTORS' INTERESTS IN SECURITIES", at no time during the year was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year and up to the date of the Report, the following Directors are considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as set out below:

Name of Director	Name of the entities which were considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entities which were considered to compete or likely to compete with the businesses of the Group	Nature of Director's interest in the entities
Mr. Zhang Fusheng	Companies controlled by 中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company) ("COSCO")	– Shipping services – Property investments	director
Mr. Wang Futian	Companies controlled by COSCO	– Shipping services – Property investments	director
Mr. Jia Lianjun	Companies controlled by COSCO	– Shipping services – Property investments	director
Mr. Liang Yanfeng[Δ]	Companies controlled by COSCO	– Shipping services – Property investments	director
	Soundwill Holdings Limited ("Soundwill")	– Property investments	non-executive vice chairman
	Sino-Ocean Land Holdings Limited ("SOLHL")	– Property investments	non-executive director
Mr. Wang Xiaodong[#]	SOLHL	– Property investments	non-executive director
Mr. Meng Qinghui	Companies controlled by COSCO	– Shipping services – Property investments	director
	Soundwill	– Property investments	non-executive director
Mr. Chen Xuewen	Companies controlled by COSCO	– Shipping services – Property investments	director
Ex-Directors			
Mr. Li Jianhong*	Companies controlled by COSCO	– Shipping services – Property investments	director
	SOLHL	– Property investments	chairman and non-executive director
Mr. Wang Xiaoming[@]	Companies controlled by COSCO	– Shipping services – Property investments	director

Δ *Mr. Liang Yanfeng resigned as non-executive director of SOLHL on 18th March 2011.*

\# *Mr. Wang Xiaodong was appointed as non-executive director of SOLHL on 23rd March 2010 and resigned as non-executive director of SOLHL on 18th March 2011.*

* *Mr. Li Jianhong resigned as Non-executive Director on 11th August 2010. He resigned as chairman and non-executive director of SOLHL on 23rd March 2010.*

@ *Mr. Wang Xiaoming resigned as Executive Director on 11th August 2010.*

As the Board is independent from the board of directors of the aforesaid companies, and as none of the above Directors controls the Board, the Group is capable of carrying on their businesses independently of, and at arm's length from, the businesses of these companies.

CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, the following connected transactions and/or continuing connected transactions of the Group are required to be disclosed in this annual report.

A. CONTINUING CONNECTED TRANSACTIONS

1. Ship Trading Continuing Connected Transactions

On 30th November 2007, a conditional master agreement was entered into between the Company, COSCO (Hong Kong) Group Limited, an intermediate holding company of the Company ("COSCO Hong Kong"), and COSCO International Ship Trading Company Limited, currently an indirect wholly-owned subsidiary of the Company ("COSCO Ship Trading"), pursuant to which COSCO Ship Trading and its subsidiaries agreed to provide ship agency services to 中國遠洋運輸（集團）總公司 (China Ocean Shipping (Group) Company), the ultimate holding company of the Company ("COSCO") and its subsidiaries and other associates (other than the Group) ("COSCO Group") (the "Ship Trading Continuing Connected Transactions") for the three financial years ending 31st December 2010 on normal commercial terms and at such fee no less favourable than those available to independent third parties (the "Ship Agency Services Master Agreement"). The aggregate amount of the Ship Trading Continuing Connected Transactions for each of the financial years ending 31st December 2008, 2009 and 2010 would not exceed the relevant cap amounts set out below (the "Ship Trading Cap Amounts") as disclosed in the announcement of the Company dated 30th November 2007. The Ship Agency Services Master Agreement and the Ship Trading Cap Amounts were approved by the independent Shareholders at the special general meeting of the Company held on 8th January 2008.

Cap for the year ending 31st December 2008	Cap for the year ending 31st December 2009	**Cap for the year ending 31st December 2010**
HK$330,000,000	HK$330,000,000	**HK$330,000,000**

The Ship Trading Continuing Connected Transactions for the financial year ended 31st December 2010 amounted to HK$164,377,332.

As set out in note 39(a)(iii) to the financial statements, those related party transactions also constituted continuing connected transactions as disclosed above.

2. Yuantong Continuing Connected Transactions

On 30th November 2007, a conditional master agreement was entered into between the Company, COSCO Hong Kong and Yuantong Marine Service Co. Limited, an indirect wholly-owned subsidiary of the Company ("Yuantong"), pursuant to which Yuantong and its subsidiary(ies) agreed to provide the supply and installation services to COSCO Group (the "Yuantong Continuing Connected Transactions") for the three financial years ending 31st December 2010 on normal commercial terms and at such consideration no less favourable than those available to independent third parties (the "Supply and Installation Services Master Agreement"). The aggregate amount of the Yuantong Continuing Connected Transactions for each of the financial years ending 31st December 2008, 2009 and 2010 would not exceed HK$410,000,000, HK$450,000,000 and HK$495,000,000 respectively (the "Yuantong Cap Amounts") as disclosed in the announcement of the Company dated 30th November 2007. The Supply and Installation Services Master Agreement and the Yuantong Cap Amounts were approved by the independent Shareholders at the special general meeting of the Company held on 8th January 2008.

In order to meet the increasing demands of Yuantong Continuing Connected Transactions arising from its expansion of scope of services, the Company, Yuantong and COSCO Hong Kong had entered into a supplemental agreement on 31st May 2010 (the "Supply and Installation Services Supplemental Agreement") to amend certain provisions under the Supply and Installation Services Master Agreement to expand the scope of services provided by Yuantong. The Yuantong Cap Amount for the financial year ending 31st December 2010 was revised to HK$662,000,000 (the "2010 Yuantong Revised Cap Amount"). The Supply and Installation Services Supplemental Agreement and the 2010 Yuantong Revised Cap Amount were approved by the independent Shareholders at the special general meeting of the Company held on 20th July 2010.

Cap for the year ending 31st December 2008	Cap for the year ending 31st December 2009	**Cap for the year ending 31st December 2010**
HK$410,000,000	HK$450,000,000	**HK$662,000,000**

The Yuantong Continuing Connected Transactions for the financial year ended 31st December 2010 amounted to HK$456,108,307.

As set out in note 39(a)(ii) to the financial statements, those related party transactions also constituted continuing connected transactions as disclosed above.

3. COSCO Kansai Continuing Connected Transactions

Technology transfer agreements were entered into between each of 中遠關西塗料化工(天津)有限公司 (COSCO Kansai Paint & Chemicals (Tianjin) Co., Ltd.) ("COSCO Kansai (Tianjin)", formerly known as 天津中遠關西塗料化工有限公司 Tianjin COSCO Kansai Paint & Chemicals Co., Ltd.), 中遠關西塗料化工(上海)有限公司 (COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd.) ("COSCO Kansai (Shanghai)", formerly known as 上海中遠關西塗料化工有限公司 Shanghai COSCO Kansai Paint & Chemicals Co., Ltd.) and 中遠關西塗料化工(珠海)有限公司 (COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd.) ("COSCO Kansai (Zhuhai)", formerly known as 珠海中遠關西塗料化工有限公司 Zhuhai COSCO Kansai Paint & Chemicals Co., Ltd.) (collectively "COSCO Kansai Companies", all being non-wholly owned subsidiaries of the Company) and Kansai Paint Co., Ltd., a substantial shareholder of certain non-wholly owned subsidiaries of the Company ("Japan Kansai"), in relation to the provision of technology and know-how on 18th December 1991, 19th January 1996 and 28th February 2006 respectively (collectively the "Previous Technology Transfer Agreements"). On 15th June 2010, COSCO Kansai (Tianjin), COSCO Kansai (Shanghai) and COSCO Kansai (Zhuhai) respectively entered into a technology transfer agreement with Japan Kansai whereby Japan Kansai has agreed, inter alia, to provide necessary technology and know-how in relation to the production of container coatings, marine coatings and heavy-duty anti-corrosion coatings to COSCO Kansai (Tianjin) and COSCO Kansai (Shanghai), and to provide necessary technology and know-how in relation to the production of container coatings and heavy-duty anti-corrosion coatings to COSCO Kansai (Zhuhai) (collectively called the "Technology Transfer Agreements). As disclosed in the announcement of the Company dated 15th June 2010, the Technology Transfer Agreements supersede the Previous Technology Transfer Agreements and were applied retrospectively as from 1st January 2010. The Technology Transfer Agreements will remain in effect until the expiry of the joint venture contract(s) for the relevant COSCO Kansai Companies.

On 30th November 2007, the following agreements were entered into for the three financial years ending 31st December 2010 on normal commercial terms:

(a) master agreements were entered into between each of COSCO Kansai Companies and Japan Kansai in relation to the purchase of raw materials by each of COSCO Kansai Companies from Japan Kansai (the "COSCO Kansai Purchase Master Agreements");

(b) a conditional master agreement was entered into between COSCO Kansai (Tianjin), COSCO Kansai (Shanghai) and NKM Coatings Co., Ltd. in which Japan Kansai holds more than 50% of its equity interest and thus being an associate of Japan Kansai ("NKM"), in relation to the purchase of raw materials from NKM (the "NKM-COSCO Kansai Purchase Master Agreement");

(c) a master agreement was entered into between COSCO Kansai (Tianjin), COSCO Kansai (Shanghai) and NKM in relation to the sale of coatings to NKM (the "NKM-COSCO Kansai Supply Master Agreement");

(d) a conditional master agreement was entered into between the Company, COSCO Kansai Companies and COSCO Hong Kong in relation to the sale of coatings by COSCO Kansai Companies to COSCO Group and the introduction of businesses by COSCO Group to COSCO Kansai Companies (the "Sales and Referral Services Master Agreement"); and

(e) a conditional master agreement was entered into between COSCO Kansai (Tianjin) and COSCO Kansai (Shanghai) and NKM in relation to the introduction of businesses by NKM or its subsidiaries to COSCO Kansai (Tianjin) and COSCO Kansai (Shanghai) (the "NKM Referral Services Master Agreement").

(The agreements set out in items (a), (b), (c), (d) and (e) are collectively called the "Agreements" and the transactions contemplated under the Technology Transfer Agreements and the Agreements are collectively called the "COSCO Kansai Continuing Connected Transactions".)

The aggregate amount of the COSCO Kansai Continuing Connected Transactions for each of the financial years ending 31st December 2008, 2009 and 2010 would not exceed the relevant cap amounts set out below (the "COSCO Kansai Cap Amounts") as disclosed in the announcement of the Company dated 30th November 2007. The Agreements and the COSCO Kansai Cap Amounts were approved by the independent Shareholders at the special general meeting of the Company held on 8th January 2008.

	Caps for the year ending 31st December 2008 RMB	Caps for the year ending 31st December 2009 RMB	**Caps for the year ending 31st December 2010 RMB**
Technology usage fees payable by COSCO Kansai Companies to Japan Kansai under the technology transfer agreements	11,000,000	14,000,000	**18,000,000**
Purchase of raw materials by COSCO Kansai Companies from Japan Kansai and by COSCO Kansai (Tianjin) and COSCO Kansai (Shanghai) from NKM	12,000,000	15,000,000	**18,000,000**
Sale of coatings by COSCO Kansai (Tianjin) and COSCO Kansai (Shanghai) to NKM	10,000,000	10,000,000	**10,000,000**
Sale of coatings by COSCO Kansai Companies to COSCO Group	29,000,000	35,000,000	**42,000,000**
Commission payable to NKM by COSCO Kansai (Tianjin) and COSCO Kansai (Shanghai) for business referral	9,000,000	9,000,000	**9,000,000**
Commission payable to COSCO Group by COSCO Kansai Companies for business referral	19,000,000	21,000,000	**23,000,000**

The COSCO Kansai Continuing Connected Transactions for the financial year ended 31st December 2010 were as follows:

	RMB
Technology usage fees payable by COSCO Kansai Companies to Japan Kansai under the technology transfer agreements	5,002,077
Purchase of raw materials by COSCO Kansai Companies from Japan Kansai and by COSCO Kansai (Tianjin) and COSCO Kansai (Shanghai) from NKM	3,280,323
Sale of coatings by COSCO Kansai (Tianjin) and COSCO Kansai (Shanghai) to NKM	634,137
Sale of coatings by COSCO Kansai Companies to COSCO Group	10,671,546
Commission payable to NKM by COSCO Kansai (Tianjin) and COSCO Kansai (Shanghai) for business referral	Nil
Commission payable to COSCO Group by COSCO Kansai Companies for business referral	3,629,143

As set out in notes 39(a)(i), 39(b)(ii), 39(b)(iv) and 39(b)(vii) to the financial statements, certain related party transactions also constituted continuing connected transactions as disclosed above.

4. COSCO Insurance Brokers Continuing Connected Transactions

On 18th November 2009, the Company, COSCO (Hong Kong) Insurance Brokers Limited, an indirect wholly-owned subsidiary of the Company ("HK COSCO Insurance Brokers"), 深圳中遠保險經紀有限公司 (Shenzhen COSCO Insurance Brokers Limited), an indirect non-wholly owned subsidiary of the Company ("SZ COSCO Insurance Brokers"), and COSCO Hong Kong entered into a conditional master agreement (the "COSCO Insurance Master Agreement"), pursuant to which the Group agreed to provide marine and general insurance brokerage services to COSCO Group (the "COSCO Insurance Brokers Continuing Connected Transactions") for the three financial years ending 31st December 2012 on normal commercial terms and on terms no less favourable than terms available to or from (as appropriate) independent third parties. The aggregate amount of the COSCO Insurance Brokers Continuing Connected Transactions for each of the financial years ending 31st December 2010, 2011 and 2012 would not exceed the relevant cap amounts set out below (the "Insurance Cap Amounts") as disclosed in the announcement of the Company dated 18th November 2009. The COSCO Insurance Master Agreement and the Insurance Cap Amounts were approved by the independent Shareholders at the special general meeting of the Company held on 23rd December 2009.

Cap for the year ending 31st December 2010	Cap for the year ending 31st December 2011	Cap for the year ending 31st December 2012
US$7,900,000	US$9,600,000	US$11,600,000

The COSCO Insurance Brokers Continuing Connected Transactions for the financial year ended 31st December 2010 was US$7,307,481.

As set out in note 39(a)(iv) to the financial statements, certain related party transactions also constituted continuing connected transactions as disclosed above.

5. Tenancy Continuing Connected Transactions

On 30th November 2007, the following tenancy agreements were entered into between:

(a) the Company as tenant and Tian Lee Property Limited, an indirect wholly-owned subsidiary of COSCO Hong Kong as landlord in respect of Units 4701-3 and 4706 of the 47th Floor of COSCO Tower, Grand Millennium Plaza, Hong Kong for a period of three years from 3rd August 2008 to 2nd August 2011 (the "1st Tenancy Agreement");

(b) COSCO Ship Trading as tenant and Velu Exports Limited, an indirect wholly-owned subsidiary of COSCO Hong Kong as landlord in respect of Unit 4802 of the 48th Floor of COSCO Tower, Grand Millennium Plaza, Hong Kong for a period of three years from 3rd August 2008 to 2nd August 2011 (the "2nd Tenancy Agreement");

(c) Yuantong as tenant and Thien Poh Engineering Limited, an indirect wholly-owned subsidiary of COSCO Hong Kong as landlord in respect of Unit 4601 of the 46th Floor of COSCO Tower, Grand Millennium Plaza, Hong Kong for a period of three years from 1st January 2008 to 31st December 2010 (the "3rd Tenancy Agreement"); and

(d) 中遠國際船舶貿易(北京)有限公司 (COSCOSHIP Beijing Company Limited), currently an indirect wholly-owned subsidiary of the Company as tenant and 中遠幸福(北京)大廈有限公司 (COSCO Happiness (Beijing) Mansion Ltd.), an indirect wholly-owned subsidiary of COSCO Hong Kong as landlord in respect of Rooms 1103, 1108 and 1110 of the 11th Floor of Block A of Lucky Tower, No. 3 North Dongsanhuan Road, Chao Yang District, Beijing, the People's Republic of China (the "PRC") for a period of three years from 1st January 2008 to 31st December 2010 (the "4th Tenancy Agreement").

(The 1st Tenancy Agreement, the 2nd Tenancy Agreement, the 3rd Tenancy Agreement and the 4th Tenancy Agreement are collectively called the "Tenancy Agreements" and the transactions contemplated under the Tenancy Agreements are collectively called the "Tenancy Continuing Connected Transactions".)

The aggregate amount of the Tenancy Continuing Connected Transactions for each of the financial years ending 31st December 2008, 2009 and 2010 would not exceed the relevant cap amounts set out below (the "Tenancy Cap Amounts"). The Tenancy Agreements and the Tenancy Cap Amounts were exempted from the independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules. Details of which were disclosed in the announcement of the Company dated 30th November 2007.

Cap for the year ending 31st December 2008	Cap for the year ending 31st December 2009	**Cap for the year ending 31st December 2010**
HK$16,000,000	HK$18,000,000	**HK$18,000,000**

The Tenancy Continuing Connected Transactions for the financial year ended 31st December 2010 was HK$16,792,597.

As set out in note 39(b)(i) to the financial statements, certain related party transactions also constituted continuing connected transactions as disclosed above.

6. CITC and Financial Services Continuing Connected Transactions

Upon the completion of the acquisition of 中遠國際貿易有限公司 (COSCO International Trading Company Limited) ("CITC") in December 2008, CITC became an indirect wholly-owned subsidiary of the Company. The following agreements were entered into on 5th December 2008 for the three financial years ending 31st December 2010 on normal commercial terms:

(a) asphalt master agreement was entered into between CITC and Chimbusco (Singapore) Pte Ltd., an associate of COSCO ("Chimbusco Singapore"), in relation to the supply of asphalt by Chimbusco Singapore to CITC and the provision of services by Chimbusco Singapore to CITC to carry out hedging arrangement against the risk of fluctuation in the purchase price of asphalt (the "Asphalt Master Agreement");

(b) supplying services and transportation services master agreement was entered into between the Company, COSCO Hong Kong and CITC in relation to the supply of ship facilities and accessories and the provision of agency services in connection with the aforesaid and in connection with ship trading (the "Supplying Services") by CITC and its subsidiaries ("CITC Group") to COSCO Group and the shipping transportation services (the "Transportation Services") by COSCO Group to CITC Group (the "Supplying Services and Transportation Services Master Agreement"); and

(c) financial services master agreement was entered into between the Company, COSCO Hong Kong and CITC in relation to a range of financial services provided by 中遠財務有限責任公司 (COSCO Finance Co. Limited), a non-wholly owned subsidiary of COSCO ("COSCO Finance"), to the Group (the "Financial Services Master Agreement").

(The agreements set out in items (a), (b) and (c) are collectively called the "Master Agreements" and the transactions contemplated under the Master Agreements are collectively called the "CITC and Financial Services Continuing Connected Transactions".)

The aggregate amount of the CITC and Financial Services Continuing Connected Transactions for each of the financial years ending 31st December 2008, 2009 and 2010 would not exceed the relevant cap amounts set out below (the "CITC and Financial Services Cap Amounts") as disclosed in the announcement of the Company dated 5th August 2008. The Master Agreements and the CITC and Financial Services Cap Amounts were approved by the independent Shareholders at the special general meeting of the Company held on 5th September 2008.

	Caps for the year ending 31st December 2008	Caps for the year ending 31st December 2009	**Caps for the year ending 31st December 2010**
Consideration for asphalt supply and services fees payable by CITC to Chimbusco Singapore for hedging arrangement	US$22,000,000	US$89,000,000	**US$106,000,000**
Consideration for Supplying Services payable by COSCO Group to CITC Group	RMB50,700,000	RMB76,500,000	**RMB78,000,000**
Consideration for Transportation Services payable by CITC Group to COSCO Group	RMB730,000	RMB3,600,000	**RMB6,000,000**
Daily cash balance in all cash deposits accounts of the Group maintained with COSCO Finance (including all interests accrued thereon and all fees (including service fees) payable by the Group to COSCO Finance)	RMB150,000,000	RMB150,000,000	**RMB150,000,000**

The CITC and Financial Services Continuing Connected Transactions for the financial year ended 31st December 2010 were as follows:

Consideration for asphalt supply and services fees payable by CITC to Chimbusco Singapore for hedging arrangement	Nil
Consideration for Supplying Services payable by COSCO Group to CITC Group	RMB13,413,441
Consideration for Transportation Services payable by CITC Group to COSCO Group	Nil
Daily cash balance in all cash deposits accounts of the Group maintained with COSCO Finance (including all interests accrued thereon and all fees (including service fees) payable by the Group to COSCO Finance)	not exceeded RMB150,000,000

As set out in note 39(a)(vi) to the financial statements, those related party transactions also constituted continuing connected transactions as disclosed above.

7. COSCO Kansai (Shanghai) Guarantee Continuing Connected Transactions

On 25th November 2008, COSCO Kansai (Zhuhai), as borrower entered into a facility agreement with COSCO Finance, as lender in respect of a revolving loan facility of up to RMB32,000,000 provided by COSCO Finance to COSCO Kansai (Zhuhai) (the "Facility Agreement"). As a term of the Facility Agreement, the guarantee was executed by COSCO Kansai (Shanghai) as guarantor, COSCO Kansai (Zhuhai) as borrower and COSCO Finance as lender (the "Guarantee") on 25th November 2008 whereby COSCO Kansai (Shanghai) guarantees the payment of all sums due from COSCO Kansai (Zhuhai) to COSCO Finance under the Facility Agreement ("COSCO Kansai (Shanghai) Guarantee Continuing Connected Transactions"). As Japan Kansai is a substantial shareholder of COSCO Kansai (Zhuhai) and COSCO Kansai (Shanghai), the non-wholly owned subsidiaries of the Company and thus a connected person of the Company. Pursuant to the Listing Rules applicable before 3rd June 2010, COSCO Kansai (Zhuhai) is owned as to more than 30% equity interest by Japan Kansai, COSCO Kansai (Zhuhai) is an associate of a connected person. The COSCO Kansai (Shanghai) Guarantee Continuing Connected Transactions for the period from 8th December 2008 to 31st December 2008 and for each of the financial years ending 31st December 2009 and 2010 would not exceed the relevant cap amounts set out below (the "Guarantee Cap Amounts"). The Guarantee and the Guarantee Cap Amounts were exempted from the independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules. Details of which were disclosed in the announcement of the Company dated 25th November 2008.

Cap for the period from 8th December 2008 to 31st December 2008	Cap for the year ending 31st December 2009	**Cap for the year ending 31st December 2010**
RMB34,600,000	RMB34,600,000	**RMB34,600,000**

The maximum outstanding amount of the revolving loan covered by the Guarantee for the financial year ended 31st December 2010 was nil. All amounts outstanding under the facility had been fully repaid on 30th March 2009 and the facility expired on 8th December 2009.

8. COSCO Kansai Purchase Continuing Connected Transactions

On 19th February 2009, COSCO Kansai Companies entered into (a) a master agreement pursuant to which COSCO Kansai Companies would purchase and sell raw materials for the manufacturing of coatings from and to one another for a period from 19th February 2009 to 31st December 2011 (the "Raw Materials Agreement"); and (b) a master agreement pursuant to which COSCO Kansai (Shanghai) would purchase coating products manufactured by COSCO Kansai (Tianjin) and COSCO Kansai (Zhuhai) for a period from 19th February 2009 to 31st December 2011 (the "Products Agreement").

(The Raw Materials Agreement and the Products Agreement are collectively called the "COSCO Kansai Purchase Agreements" and the transactions contemplated under the COSCO Kansai Purchase Agreements are collectively called the "COSCO Kansai Purchase Continuing Connected Transactions").

Pursuant to the Listing Rules applicable before 3rd June 2010, as each of COSCO Kansai (Tianjin), COSCO Kansai (Shanghai) and COSCO Kansai (Zhuhai) is owned as to more than 30% equity interest by Japan Kansai, each of COSCO Kansai (Tianjin), COSCO Kansai (Shanghai) and COSCO Kansai (Zhuhai) is an associate of a connected person. The COSCO Kansai Purchase Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

The aggregate amount of the COSCO Kansai Purchase Continuing Connected Transactions for each of the financial years ending 31st December 2009, 2010 and 2011 would not exceed the relevant cap amounts set out below (the "COSCO Kansai Purchase Cap Amounts"). The COSCO Kansai Purchase Agreements and the COSCO Kansai Purchase Cap Amounts were approved by an independent Shareholder's written approval in lieu of holding a general meeting as waiver was granted by the Stock Exchange. Details of which were disclosed in the announcement and circular of the Company dated 19th February 2009 and 10th March 2009 respectively.

	Caps for the year ending 31st December 2009 RMB	**Caps for the year ending 31st December 2010 RMB**	Caps for the year ending 31st December 2011 RMB
The transaction amount of COSCO Kansai Companies under the Raw Materials Agreement	150,000,000	**150,000,000**	150,000,000
The transaction amount of COSCO Kansai Companies under the Products Agreement	800,000,000	**1,000,000,000**	1,200,000,000

As a result of the amendments to the Listing Rules which came into effect on 3rd June 2010 pursuant to which a non-wholly owned subsidiary would not be regarded as a connected person by virtue of being an associate of any connected persons (at the level of the Company's subsidiaries only) under Rule 14A.12A of the Listing Rules, COSCO Kansai Companies ceased to be connected persons of the Company and the COSCO Kansai Purchase Continuing Connected Transactions were no longer continuing connected transactions of the Company. As such, from 3rd June 2010, those transactions were no longer subject to the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules and were no longer subject to the annual caps for the two financial years ending 31st December 2011. For the avoidance of doubt, the COSCO Kansai Purchase Continuing Connected Transactions were, for the period before 3rd June 2010, subject to the reporting, announcement, independent shareholders' approval and annual review requirements in accordance with Chapter 14A of the Listing Rules and the annual caps therefor.

The COSCO Kansai Purchase Continuing Connected Transactions for the year ended 31st December 2010 (up to 2nd June 2010) were as follows:

The transaction amount of COSCO Kansai Companies under the Raw Materials Agreement	RMB4,317,717
The transaction amount of COSCO Kansai Companies under the Products Agreement	RMB46,274,524

9. Sinfeng Continuing Connected Transactions

On 1st December 2009, Sinfeng Marine Services Pte. Ltd., an indirect wholly-owned subsidiary of the Company ("Sinfeng"), and COSCO Petroleum Pte. Ltd., a wholly-owned subsidiary of COSCO Hong Kong ("COSCO Petroleum") entered into (a) an agreement in relation to the purchase or sale of fuel oil and related products by Sinfeng from or to COSCO Petroleum (the "Fuel Oil Transactions") and the provision of services by COSCO Petroleum to Sinfeng to carry out arrangements for and on behalf of Sinfeng to enter into fuel oil and/or related products swap contracts and/or derivatives with independent third parties to facilitate Sinfeng to hedge against the risk of fuel oil and related products price fluctuation under the fuel oil and related products transactions (the "Financial Services") for a term from 1st December 2009 to 31st December 2009 (the "Fuel Oil Agreement"); and (b) a conditional master agreement in relation to the Fuel Oil Transactions and Financial Services for a term commencing from the date on which the Condition Precedent (as defined in the announcement and the circular of the Company on 1st December 2009 and 18th December 2009 respectively) is satisfied up to 31st December 2011 (the "Fuel Oil Master Agreement") (The transactions contemplated under the Fuel Oil Agreement and Fuel Oil Master Agreement are collectively called the "Sinfeng Continuing Connected Transactions"). The aggregate amount of the Sinfeng Continuing Connected Transactions for the financial year ending 31st December 2009 (the "2009 Sinfeng Cap Amount") and for the financial years ending 31st December 2010 and 2011 (the "2010-2011 Sinfeng Cap Amounts") would not exceed the relevant cap amounts set out below. The Fuel Oil Agreement and the 2009 Sinfeng Cap Amount were exempted from the independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules. Details of which were disclosed in the announcement of the Company dated 1st December 2009. The Fuel Oil Master Agreement and the 2010-2011 Sinfeng Cap Amounts were approved by the independent Shareholders at the special general meeting of the Company held on 7th January 2010.

Cap for the year ending 31st December 2009	**Cap for the year ending 31st December 2010**	Cap for the year ending 31st December 2011
US$6,700,000	**US$400,000,000**	US$520,000,000

The Sinfeng Continuing Connected Transactions for the financial year ended 31st December 2010 amounted to US$51,596,267.

As set out in notes 39(a)(v) and 39(b)(vi) to the financial statements, those related party transactions also constituted continuing connected transactions as disclosed above.

10. Management Continuing Connected Transactions

On 1st December 2009, the Company and COSCO Hong Kong entered into a master agreement in relation to the provision of administrative services including information technology and fixed line network support, manpower resources, technical support and other administrative and ancillary support by COSCO Hong Kong and its subsidiaries to the Group and sharing of office premises by the Group for a term from 1st December 2009 to 31st December 2011 (the "Management Agreement"). (The transactions contemplated under the Management Agreement are called the "Management Continuing Connected Transactions"). The aggregate amount of the Management Continuing Connected Transactions for each of the financial years ending 31st December 2009, 2010 and 2011 would not exceed the relevant cap amounts set out below (the "Management Cap Amounts"). The Management Agreement and the Management Cap Amounts were exempted from the independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules. Details of which were disclosed in the announcement of the Company dated 1st December 2009.

Cap for the year ending 31st December 2009	**Cap for the year ending 31st December 2010**	Cap for the year ending 31st December 2011
US$500,000	**US$2,900,000**	US$3,100,000

The Management Continuing Connected Transactions for the financial year ended 31st December 2010 amounted to US$1,941,483.

As set out in note 39(b)(viii) to the financial statements, those related party transactions also constituted continuing connected transactions as disclosed above.

11. Shin Chung Lin Sub-lease Continuing Connected Transactions

COSCO Japan Co. Ltd., an associate of COSCO ("COSCO Japan") is the tenant of a property comprises 10th Floor, Kamiyacho MT Building, 4-3-20 Toranomon, Minato-Ku, Tokyo 105-0001, Japan (the "Japan Property"). On 31st May 2010, 新中鈴株式會社 (Shin Chung Lin Corporation), an indirect wholly-owned subsidiary of the Company ("Shin Chung Lin") entered into a sub-lease agreement with COSCO Japan (the "Sub-lease Agreement") in respect of the sub-lease of part of the Japan Property with gross floor area of approximately 160 square metres for a term commencing from 1st July 2010 to 30th June 2011 (the "Initial Term"). An one-off deposit amounting to JPY20,618,880 would be paid by Shin Chung Lin to COSCO Japan before 30th June 2010. If no party to the Sub-lease Agreement has raised any objection one month prior to the expiry of the Initial Term, the term of the lease shall be extended for another two years upon expiry of the Initial Term. (The transactions contemplated under the Sub-lease Agreement are called the "Shin Chung Lin Sub-lease Continuing Connected Transactions"). The aggregate amount of the Shin Chung Lin Sub-lease Continuing Connected Transactions for the six months period ending 31st December 2010, for each of the financial years 2011 and 2012 and for the six months ending 30th June 2013 would not exceed the relevant cap amounts set out below (the "Shin Chung Lin Sub-lease Cap Amounts"). The Sub-lease Agreement and the Shin Chung Lin Sub-lease Cap Amounts were exempted from the independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules. Details of which were disclosed in the announcement of the Company dated 31st May 2010.

Cap for the period from 1st July to 31st December 2010	Cap for the year ending 31st December 2011	Cap for the year ending 31st December 2012	Cap for the six months period ending 30th June 2013
JPY34,000,000	JPY25,000,000	JPY25,000,000	JPY12,500,000

The Shin Chung Lin Sub-lease Continuing Connected Transactions for the financial year ended 31st December 2010 amounted to JPY32,073,792.

As set out in note 39(b)(i) to the financial statements, certain related party transactions also constituted continuing connected transactions as disclosed above.

12. Yuantong and Shanghai Ocean Agency Continuing Connected Transactions

On 9th June 2010, Yuantong and 上海越洋無線電有限公司(Shanghai Ocean Radio Co., Ltd.), an associate of COSCO ("Shanghai Ocean") entered into (a) an agency agreement in relation to the appointment of Shanghai Ocean as Yuantong's agent in the PRC for sale of imported duty-free communication and navigation equipment for vessels (the "Agency Arrangement") and to provide sale agency and ancillary services in relation to the sale of imported duty-free communication and navigation equipment for vessels in the PRC, including the collection of market information in the PRC, solicitation and referral of customers, promotion and marketing, technical services, coordination with suppliers and customers, purchase of raw materials from suppliers on behalf of Yuantong, the provision of assistance to Yuantong in collecting sale proceeds and the procurement or provision of certain after-sale services for Yuantong (the "Agency Services") for the term commencing from 9th June 2010 to 31st December 2010 (the "Agency Agreement") and (b) an agency master agreement in relation to the Agency Arrangement and Agency Services for a term commencing from 1st January 2011 to 31st December 2012 (the "Agency Master Agreement"). (The transactions contemplated under the Agency Agreement and the Agency Master Agreement are collectively called the "Yuantong and Shanghai Ocean Agency Continuing Connected Transactions"). The aggregate amount of the Yuantong and Shanghai Ocean Agency Continuing Connected Transactions for the financial year ending 31st December 2010 (the "2010 Yuantong and Shanghai Ocean Agency Cap Amount") and for the financial years ending 31st December 2011 and 2012 (the "2011-2012 Yuantong and Shanghai Ocean Agency Cap Amounts") would not exceed the relevant cap amounts set out below. The Agency Agreement and the 2010 Yuantong and Shanghai Ocean Agency Cap Amount were exempted from the independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules. Details of which were disclosed in the announcement of the Company dated 9th June 2010. The Agency Master Agreement and the 2011-2012 Yuantong and Shanghai Ocean Agency Cap Amounts were approved by the independent Shareholders at the special general meeting of the Company held on 20th July 2010.

Cap for the year ending 31st December 2010	Cap for the year ending 31st December 2011	Cap for the year ending 31st December 2012
HK$71,000,000	HK$112,000,000	HK$123,000,000

ENHANCED MANAGEMENT

The Yuantong and Shanghai Ocean Agency Continuing Connected Transactions for the financial year ended 31st December 2010 amounted to HK$26,282,507.

As set out in note 39(b)(iii) to the financial statements, certain related party transactions also constituted continuing connected transactions as disclosed above.

The Independent Non-executive Directors had reviewed 1) the Ship Trading Continuing Connected Transactions; 2) the Yuantong Continuing Connected Transactions; 3) the COSCO Kansai Continuing Connected Transactions; 4) the COSCO Insurance Brokers Continuing Connected Transactions; 5) the Tenancy Continuing Connected Transactions; 6) the CITC and Financial Services Continuing Connected Transactions; 7) the COSCO Kansai (Shanghai) Guarantee Continuing Connected Transactions; 8) the COSCO Kansai Purchase Continuing Connected Transactions; 9) the Sinfeng Continuing Connected Transactions; 10) the Management Continuing Connected Transactions; 11) the Shin Chung Lin Sub-lease Continuing Connected Transactions; and 12) the Yuantong and Shanghai Ocean Agency Continuing Connected Transactions (collectively called "the Group's Continuing Connected Transactions") and were of the opinion that the Group's Continuing Connected Transactions for the financial year ended 31st December 2010 had been entered into:

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

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

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

For the purposes of Rule 14A.38 of the Listing Rules in relation to the Group's Continuing Connected Transactions, the Board engaged the auditor of the Company to report on the Group's Continuing Connected Transactions for the year ended 31st 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 has issued an unqualified letter containing the findings and conclusions in respect of the Group's Continuing Connected Transactions for the year ended 31st December 2010, in accordance with Rule 14A.38 of the Listing Rules. A copy of aforesaid auditor's letter has been provided by the Company to the Stock Exchange.

13. Shin Chung Lin Management Continuing Connected Transactions

On 31st May 2010, Shin Chung Lin and COSCO Japan entered into a management services master agreement in relation to the provision of (i) business management and manpower resources (including without limitation manpower resources with expertise and experience in the business carried on by Shin Chung Lin and/or its subsidiary, if any (the "Shin Chung Lin Group") from time to time); (ii) regional corporate office administration services (including without limitation management of human resources and related employee benefits and social security arrangement); and (iii) back office support functions and services (including without limitation sharing of office equipment, network and communication system, information technology, other technical support, system management, financial system and maintenance by COSCO Japan to the Shin Chung Lin Group for a term commencing from 1st January 2011 to 31st December 2013 unless terminated or extended by agreement signed by both parties (the "Shin Chung Lin Management Agreement"). (The transactions contemplated under the Shin Chung Lin Management Agreement are called the "Shin Chung Lin Management Continuing Connected Transactions"). The aggregate amount of the Shin Chung Lin Management Continuing Connected Transactions for each of the financial year ending 31st December 2011, 2012 and 2013 would not exceed the relevant cap amounts set out below (the "Shin Chung Lin Management Cap Amounts"). The Shin Chung Lin Management Agreement and the Shin Chung Lin Management Cap Amounts were exempted from the independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules. Details of which were disclosed in the announcement of the Company dated 31st May 2010.

Cap for the year ending 31st December 2011	Cap for the year ending 31st December 2012	Cap for the year ending 31st December 2013
JPY30,000,000	JPY30,000,000	JPY30,000,000

There is no Shin Chung Lin Management Continuing Connected Transactions for the financial year ended 31st December 2010.

B. RENEWAL AND STREAMLINING OF THE EXISTING CONTINUING CONNECTED TRANSACTIONS

1. As the Ship Agency Services Master Agreement, the Supply and Installation Services Master Agreement (as amended by the Supply and Installation Services Supplemental Agreement), the Sales and Referral Services Master Agreement, the 3rd Tenancy Agreement, the 4th Tenancy Agreement, the Asphalt Master Agreement, the Supplying Services and Transportation Services Master Agreement, the Financial Services Master Agreement would expire on 31st December 2010 and it was expected that the Group would continue to enter into transactions of a nature similar to the transactions under those agreements from time to time thereafter. In view of the above and in order to (i) streamline and consolidate such agreements and other existing agreements (including the COSCO Insurance Master Agreement, the 1st Tenancy Agreement, the 2nd Tenancy Agreement, the Fuel Oil Master Agreement, the Management Agreement, the Sub-lease Agreement, the Agency Master Agreement and the Shin Chung Lin Management Agreement), (ii) standardise the parties and the periods of the master agreements between the Group and its connected persons to the extent practicable, (iii) expand the scope of the products, services or other subject matters covered by these agreements and/or (iv) accommodate certain new businesses between the parties, various agreements were entered into on 10th November 2010 between the Company and COSCO Hong Kong.

   (a) A new master supply agreement was entered into between the Company and COSCO Hong Kong on 10th November 2010 in relation to (1) provision of marine and general insurance brokerage services by the Group to COSCO Group; and (2) provision of shipping services and sale of shipping related and other materials and products by the Group to COSCO Group, including without limitation: (a) the provision of ship agency services including those for the sale and purchase of new and second-hand vessels, bareboat chartering businesses and the sale and purchase of marine equipment and other related services; (b) the provision of supply and installation, repair, logistics and agency services in relation to (i) ship facilities and accessories, which include equipment, materials, spare parts for vessels, oil drills, projects at sea or on land and ports, (ii) marine mobile or land base radio communication, satellite communication and navigation equipment on board or offshore as well as coast radio stations, and (iii) building materials and facilities, chemicals and information management systems; and (c) the sale of coatings (collectively called the "Supply Continuing Connected Transactions") for the three financial years ending 31st December 2013 (the "New Master Supply Agreement"). Pursuant to the New Master Supply Agreement, COSCO Hong Kong agreed and would procure the Supply Continuing Connected Transactions be conducted on normal commercial terms and at such fee and consideration no less favourable than those available to or from (as appropriate) independent third parties. The aggregate amount of the Supply Continuing Connected Transactions for each of the financial year ending 31st December 2011, 2012 and 2013 would not exceed the relevant cap amounts set out in the table headed "Caps with COSCO Group" (the "Supply Caps").

   (b) A new master purchase agreement was entered into between the Company and COSCO Hong Kong on 10th November 2010 in relation to the provision of shipping services and sale of shipping related materials and products by COSCO Group to the Group, including without limitation: (a) the provision of agency services, technical services and ancillary services, including the collection of market information, technical advisory, promotion and marketing, coordination with suppliers and customers, purchase of raw materials from suppliers, the provision of assistance in collecting sale proceeds and the procurement or provision of certain after-sale services; (b) the provision of shipping transportation services; and (c) the solicitation and referral of businesses by COSCO Group to the Group, including recommending products manufactured by the Group to the customers and manufacturers of COSCO Group (collectively called the "Purchase Continuing Connected Transactions") for the three financial years ending 31st December 2013 (the "New Master Purchase Agreement"). Pursuant to the New Master Purchase Agreement, COSCO Hong Kong agreed and would procure the Purchase Continuing Connected Transactions be conducted on normal commercial terms and at such fee and consideration no less favourable than those available to or from (as appropriate) independent third parties. The aggregate amount of the Purchase Continuing Connected Transactions for each of the financial year ending 31st December 2011, 2012 and 2013 would not exceed the relevant cap amounts set out in the table headed "Caps with COSCO Group" (the "Purchase Caps").

   (c) A new financial services master agreement was entered into between the Company and COSCO Hong Kong on 10th November 2010 in relation to the provision of a range of financial services, including the deposits services, settlement services and remittance services by COSCO Finance to the Group (the "Financial Services Continuing Connected Transactions") for the three financial years ending 31st December 2013 (the "New Financial Services Master Agreement"). Pursuant to the New Financial

Services Master Agreement, COSCO Hong Kong agreed and would procure the Financial Services Continuing Connected Transactions be conducted on normal commercial terms and at such fee no less favourable than those available to or from (as appropriate) independent third parties. The aggregate amount of the Financial Services Continuing Connected Transactions for each of the financial year ending 31st December 2011, 2012 and 2013 would not exceed the relevant cap amounts set out in the table headed "Caps with COSCO Group" (the "Financial Services Caps").

(d) A new fuel oil master agreement was entered into between the Company and COSCO Hong Kong on 10th November 2010 in relation to the trading and supply of fuel oil and/or related products and services between the Group and COSCO Group, including without limitation: (a) purchase or sale of fuel oil and/or related products by the Group from or to COSCO Group (the "Fuel Oil Transactions"); and (b) provision of services by COSCO Group to the Group to carry out arrangements at the instruction of and for and on behalf of the Group from time to time to enter into fuel oil and/or related products swap contracts and/or derivatives with independent third parties to facilitate the Group to hedge against the risk of fuel oil and/or related products price fluctuation under the fuel oil and/or related products transactions of its business of providing fuel oil and/or related products and services including marine bunker supplies, trading of fuel oil and related products and brokers services (the "Fuel Oil Financial Services") (Fuel Oil Transactions and Fuel Oil Financial Services collectively called the "Fuel Oil Continuing Connected Transactions") for the three financial years ending 31st December 2013 (the "New Fuel Oil Master Agreement"). Pursuant to the New Fuel Oil Master Agreement, COSCO Hong Kong agreed and would procure the Fuel Oil Continuing Connected Transactions be conducted on normal commercial terms and such fee and consideration for the Fuel Oil Transactions no less favourable than those available to or from (as appropriate) independent third parties. The aggregate amount of the Fuel Oil Continuing Connected Transactions for each of the financial year ending 31st December 2011, 2012 and 2013 would not exceed the relevant cap amounts set out in the table headed "Caps with COSCO Group" (the "Fuel Oil Caps").

(e) A new management services master agreement was entered into between the Company and COSCO Hong Kong on 10th November 2010 in relation to the provision of administrative services including information technology and fixed line network support, business management and manpower resources (including without limitation manpower resources with expertise and experience in the business carried on by the Group from time to time and management of human resources), technical support and other administrative and ancillary support (including without limitation sharing of office equipment, network and communication system, information technology, other technical support, system management, financial system and maintenance) by COSCO Group to the Group and sharing of office premises by the Group (the "Management Services Continuing Connected Transactions") for the three financial years ending 31st December 2013 (the "New Management Services Master Agreement"). Pursuant to the New Management Services Master Agreement, COSCO Hong Kong agreed and would procure the Management Services Continuing Connected Transactions be conducted on normal commercial terms. The aggregate amount of the Management Services Continuing Connected Transactions for each of the financial year ending 31st December 2011, 2012 and 2013 would not exceed the relevant cap amounts set out in the table headed "Caps with COSCO Group" (the "Management Services Caps").

(f) A new master tenancy agreement was entered into between the Company and COSCO Hong Kong on 10th November 2010 in relation to the leasing or sub-leasing of any of the properties owned by or leased to COSCO Group from time to time by COSCO Group to the Group (the "New Tenancy Continuing Connected Transactions") for the three financial years ending 31st December 2013 (the "New Master Tenancy Agreement"). Pursuant to the New Master Tenancy Agreement, COSCO Hong Kong agreed and would procure the New Tenancy Continuing Connected Transactions be conducted on normal commercial terms. The aggregate amount of the New Tenancy Continuing Connected Transactions for each of the financial year ending 31st December 2011, 2012 and 2013 would not exceed the relevant cap amounts set out in the table headed "Caps with COSCO Group" (the "Tenancy Caps").

The New Management Services Master Agreement, the New Master Tenancy Agreement, the Management Services Caps and the Tenancy Caps were exempted from the independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules, details of which were disclosed in the announcement of the Company dated 10th November 2010. The New Master Supply Agreement, the New Master Purchase Agreement, the New Financial Services Master Agreement, the New Fuel Oil Master Agreement, the Supply Caps, the Purchase Caps, the Financial Services Caps and the Fuel Oil Caps were approved by the independent Shareholders at the special general meeting of the Company held on 23rd December 2010.

Caps with COSCO Group

	Caps for the year ending 31st December 2011	Caps for the year ending 31st December 2012	Caps for the year ending 31st December 2013
Aggregate amount receivable by the Group for transactions contemplated under the New Master Supply Agreement	HK$1,200,000,000	HK$1,300,000,000	HK$1,400,000,000
Aggregate amount payable by the Group for transactions contemplated under the New Master Purchase Agreement	HK$177,000,000	HK$196,000,000	HK$203,000,000
Daily cash balance(s) of all cash deposits accounts of the Group maintained with COSCO Finance (together with interests accrued thereon) and all fees (including service fees) payable by the Group to COSCO Finance for transactions contemplated under the New Financial Services Master Agreement	RMB380,000,000	RMB400,000,000	RMB420,000,000
Aggregate amount payable and receivable by the Group for transactions contemplated under the New Fuel Oil Master Agreement	US$600,000,000	US$700,000,000	US$800,000,000
Aggregate amount payable by the Group to COSCO Group for transactions contemplated under the New Management Services Master Agreement	HK$28,000,000	HK$34,000,000	HK$41,000,000
Aggregate amount payable by the Group to COSCO Group for transactions contemplated under the New Master Tenancy Agreement	HK$36,000,000	HK$40,000,000	HK$40,000,000

2. As mentioned in the paragraph A.3. above, on 15th June 2010, Japan Kansai entered into the Technology Transfer Agreements with COSCO Kansai (Tianjin), COSCO Kansai (Shanghai) and COSCO Kansai (Zhuhai) respectively whereby Japan Kansai agreed to provide necessary technology and know-how in manufacturing container coatings, marine coatings and heavy-duty anti-corrosion coatings to COSCO Kansai (Tianjin) and COSCO Kansai (Shanghai), and to provide necessary technology and know-how in manufacturing container coatings and heavy-duty anti-corrosion coatings to COSCO Kansai (Zhuhai) in return for fees to be paid by the respective COSCO Kansai Companies.

   In view of the expiry of the COSCO Kansai Purchase Master Agreements, the NKM-COSCO Kansai Purchase Master Agreement, the NKM-COSCO Kansai Supply Master Agreement and the NKM Referral Services Master Agreement and the business need of the Group, the following agreements were entered into on 28th December 2010 for the three financial years ending 31st December 2013 on normal commercial terms:

   (a) agreements were entered into between each of COSCO Kansai Companies and Japan Kansai in relation to the purchase of raw materials and semi-finished products by COSCO Kansai Companies from Japan Kansai (the "New COSCO Kansai Purchase Agreements");

   (b) agreement was entered into between COSCO Kansai (Tianjin), COSCO Kansai (Shanghai) and NKM in relation to the purchase of raw materials by COSCO Kansai (Tianjin) and COSCO Kansai (Shanghai) from NKM (the "New NKM-COSCO Kansai Purchase Agreement");

   (c) agreement was entered into between COSCO Kansai (Tianjin), COSCO Kansai (Shanghai) and NKM in relation to the introduction of businesses by NKM or its subsidiaries to COSCO Kansai (Tianjin) and COSCO Kansai (Shanghai) (the "New NKM Referral Services Agreement");

   (d) agreement was entered into between COSCO Kansai (Tianjin), COSCO Kansai (Shanghai) and NKM in relation to the sale of coatings and provision of related services by COSCO Kansai (Tianjin) and COSCO Kansai (Shanghai) to NKM (the "New NKM-COSCO Kansai Supply Agreement"); and

   (e) agreement was entered into between COSCO Kansai (Tianjin), COSCO Kansai (Shanghai) and 蘇州關西塗料有限公司 (Suzhou Kansai Paint Co., Ltd.), an associate of Japan Kansai ("Suzhou Kansai") in relation to the sale of coatings and provision of related services by COSCO Kansai (Tianjin) and COSCO Kansai (Shanghai) to Suzhou Kansai (the "New Suzhou Kansai Supply Agreement").

The agreements set out in items (a), (b), (c), (d) and (e) are collectively called the "COSCO Kansai Agreements" and transactions contemplated under the Technology Transfer Agreements and the COSCO Kansai Agreements are collectively called the "New COSCO Kansai Continuing Connected Transactions".

The aggregate amount of the New COSCO Kansai Continuing Connected Transactions for each of the financial years ending 31st December 2011, 2012 and 2013 would not exceed the relevant cap amounts set out below in the table headed "Caps with Japan Kansai Group" (the "COSCO Kansai Caps"). The Technology Transfer Agreements, the COSCO Kansai Agreements and the COSCO Kansai Caps were exempted from the independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules. Details of which were disclosed in the announcement of the Company dated 28th December 2010.

Caps with Japan Kansai Group

	Caps for the year ending 31st December 2011 RMB	Caps for the year ending 31st December 2012 RMB	Caps for the year ending 31st December 2013 RMB
Aggregate amount payable by COSCO Kansai Companies for transactions contemplated under the New COSCO Kansai Purchase Agreements and by COSCO Kansai (Tianjin) and COSCO Kansai (Shanghai) for transactions contemplated under the New NKM-COSCO Kansai Purchase Agreement	18,000,000	18,000,000	18,000,000
Aggregate amount payable by COSCO Kansai (Tianjin) and COSCO Kansai (Shanghai) for transactions contemplated under the New NKM Referral Services Agreement	5,000,000	5,000,000	5,000,000
Aggregate amount receivable by COSCO Kansai (Tianjin) and COSCO Kansai (Shanghai) for transactions contemplated under the New NKM-COSCO Kansai Supply Agreement and the New Suzhou Kansai Supply Agreement	15,000,000	15,000,000	15,000,000
Aggregate amount payable by COSCO Kansai Companies for transactions contemplated under the Technology Transfer Agreements	18,000,000	18,000,000	18,000,000

C. CONNECTED TRANSACTIONS

1. Security Arrangement

On 3rd March 2009, COSCO Trading and Supply Investments Limited, a wholly-owned subsidiary of COSCO Hong Kong ("COSCO Trading"), and New Renown Limited, a wholly-owned subsidiary of the Company ("New Renown"), entered into a conditional share transfer agreement, (the "Share Transfer Agreement") pursuant to which New Renown will acquire 15,840,000 shares of Double Rich Limited ("Double Rich"), representing 18% of the issued share capital of Double Rich from COSCO Trading at the total consideration of US$4,905,484. The acquisition was approved by the independent Shareholders at the special general meeting of the Company held on 21st April 2009.

In accordance with the Share Transfer Agreement, COSCO Trading has undertaken that COSCO Hong Kong will continue to provide the bank guarantees to the relevant banks after and notwithstanding completion of acquisition so long as any liabilities/indebtedness under the Facility 1 and Facility 2 (as both defined in the announcement and the circular of the Company dated 3rd March 2009 and 24th March 2009 respectively) (collectively called the "Facilities") remain outstanding until the relevant banks and New Renown (and/or its holding company or subsidiary(ies)) have reached agreement and executed all necessary documents in relation to the provision of such security by New Renown (and/or its holding company or subsidiary(ies)) in favour of the relevant banks towards Double Rich's liabilities/indebtedness under the Facilities (the "Proposed New Security Arrangement"). The Proposed New Security Arrangement was approved by the independent Shareholders at the special general meeting of the Company held on 21st April 2009. However, the aforesaid bank guarantees were still provided by COSCO Hong Kong up to the date of the Report. Neither the Group nor New Renown has provided the bank guarantees to the relevant banks.

2. Acquisition of Xing Yuan

On 31st May 2010, Yuantong entered into a share transfer agreement with COSCO Holdings (Singapore) Pte Ltd, a wholly-owned subsidiary of COSCO ("COSCO Singapore"), and Hai Feng Marine (Private) Limited, an independent third party of the Company ("Hai Feng"), pursuant to which Yuantong agreed to acquire 60% interest of Xing Yuan and 40% interest of Xing Yuan from COSCO Singapore and Hai Feng respectively at a total consideration of S$850,000 (the "Share Acquisition"). Pursuant to the share transfer agreement, Hai Feng shall, within 10 business days after the date of the share transfer agreement (or such later date as Yuantong may agree), enter into a sale and purchase agreement with Xing Yuan (which will become a wholly-owned subsidiary of Yuantong upon the completion of Share Acquisition) for the sale of the property in Singapore to Xing Yuan free from encumbrances. On 15th June 2010, Xing Yuan entered into a sale and purchase agreement with Hai Feng, pursuant to which Xing Yuan agreed to acquire the property located in Singapore at S$4,500,000 after the completion of the Share Acquisition (the "Property Acquisition"). Details of the Share Acquisition and the Property Acquisition were set out in the Company's announcement dated 31st May 2010 and the circular dated 21st June 2010. Both the Share Acquisition and the Property Acquisition were approved by independent Shareholders at the special general meeting of the Company held on 20th July 2010, and were completed on 12th August 2010 and 23rd August 2010 respectively.

As set out in note 38 to the financial statements, the related party transaction also constituted connected transaction as disclosed above.

RELATED PARTY TRANSACTIONS

Material related party transactions of the Group are set out in note 39 to the financial statements. In relation to those related party transactions that also constituted connected transactions or continuing connected transactions as defined in the Listing Rules, the relevant disclosure requirements in accordance with Chapter 14A of the Listing Rules had been complied with.

SHARE OPTIONS

The following is a summary of the Company's share option scheme approved and adopted by the Shareholders on 17th May 2002 and with amendment approved by the Shareholders at the special general meeting of the Company held on 5th May 2005 (the "Share Option Scheme") and disclosed in accordance with the Listing Rules:

1. Purpose of the Share Option Scheme

(a) The purpose of the Share Option Scheme is for the Group to attract, retain and motivate talented participants to strive for future development and expansion of the Group.

(b) The Share Option Scheme shall be an incentive to encourage the participants and allow the participants to enjoy the results of the Company attained through their efforts and contributions.

2. Participants of the Share Option Scheme

(a) any director of the Group;

(b) any director of the substantial shareholder of the Company;

(c) any employee of the Group;

(d) any employee of the substantial shareholder of the Company or any employee of such substantial shareholder's subsidiaries or associated companies;

(e) any business associate of the Group; and

(f) any business associate of any substantial shareholder of each member of the Group.

3. Total number of securities available for issue under the Share Option Scheme

The total number of shares which may be issued upon exercise of all share options to be granted under the share option scheme approved on 17th May 2002 is 139,438,929, being 10% of the issued share capital of the Company as at the said date. A 10% limit refreshment was approved by Shareholders at the general meeting of the Company held on 5th May 2005 which enabled the grant of further share options to subscribe up to 141,644,129 shares of the Company, being 10% of the issued share capital of the Company as at the said date.

As at the date of the Report, a total of 95,979,129 shares representing 6.35% of the issued share capital of the Company may be issued upon exercise of all share options which may be granted under the Share Option Scheme and a total of 75,586,000 shares representing 5% of the issued share capital of the Company may be issued upon exercise of all share options which had been granted and yet to be exercised under the Share Option Scheme.

4. Maximum entitlement of each participant under the Share Option Scheme

The maximum entitlement for each participant is that the total number of shares of the Company issued and to be issued upon exercise of the options granted to each participant (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of issued shares of the Company. Any grant of further options exceed this limit shall be subject to certain requirements as stipulated in the rules of the Share Option Scheme.

5. The period within which the securities must be taken up under an option

Share options granted on 2nd December 2004 are exercisable at any time from 29th December 2004 to 28th December 2014.

Share options granted on 10th May 2005 are exercisable at any time from 6th June 2005 to 5th June 2015.

Share options granted on 9th March 2007 are exercisable from 9th March 2009 to 8th March 2015 in the stipulated proportion at any time namely: (i) no share options shall be exercisable by the grantees within the first two years from 9th March 2007; (ii) up to a maximum of 30% of the share options can be exercised by the grantees from 9th March 2009 onwards; (iii) up to a maximum of 70% of the share options can be exercised by the grantees from 9th March 2010 onwards; and (iv) all share options can be exercised by the grantees from 9th March 2011 onwards.

6. The minimum period for which an option must be held before it can be exercised

There is and shall be no minimum period for which an option must be held before it can be exercised except the share options granted on 9th March 2007, details of which was disclosed in item 5 above.

7. The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid

The share option shall be deemed to have been accepted when the duplicate letter duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company. To the extent that the offer is not accepted within 28 days in the manner aforesaid, it will be deemed to have been irrevocably declined.

8. The basis of determining the exercise price

The exercise price is determined by the Board and shall be the highest of:

(a) the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the offer date;

(b) the average closing price of shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the offer date; and

(c) the nominal value of a share of the Company.

9. The remaining life of the Share Option Scheme

The Share Option Scheme is valid and effective for a period of 10 years, it commenced on 17th May 2002 and will expire on 16th May 2012.

Details of the movements of the share options granted under the Share Option Scheme during the year are set out below:

Category	Exercise price (HK$)	Outstanding as at 1st January 2010	Granted during the year	Category changed during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31st December 2010	Approximate percentage of total issued share capital of the Company	Notes
Directors									
Mr. Wang Futian	3.666	800,000	–	–	–	–	800,000	0.053%	(3),(4),(5)
Mr. Jia Lianjun	3.666	800,000	–	–	–	–	800,000	0.053%	(3),(4),(5)
Mr. Liang Yanfeng	3.666	1,100,000	–	–	–	–	1,100,000	0.073%	(3),(4),(5)
Mr. Wang Xiaodong	1.37	800,000	–	–	–	–	800,000	0.053%	(1),(4),(5)
	3.666	800,000	–	–	–	–	800,000	0.053%	(3),(4),(5)
Mr. Meng Qinghui	1.37	800,000	–	–	–	–	800,000	0.053%	(1),(4),(5)
	3.666	800,000	–	–	–	–	800,000	0.053%	(3),(4),(5)
Mr. Chen Xuewen	3.666	800,000	–	–	–	–	800,000	0.053%	(3),(4),(5)
Mr. Lin Wenjin	1.37	500,000	–	–	–	–	500,000	0.033%	(1),(4),(5)
	3.666	800,000	–	–	–	–	800,000	0.053%	(3),(4),(5)
Ex-Directors									
Mr. Li Jianhong*	1.37	1,200,000	–	(1,200,000)	–	–	–	–	(1),(4),(5)
Mr. Wang Xiaoming#	3.666	800,000	–	(800,000)	–	–	–	–	(3),(4),(5)
Continuous contract employees of the Group and jointly controlled entity(ies)	1.37	6,500,000	–	800,000	(70,000)	–	7,230,000	0.478%	(1),(4),(5)
	1.21	750,000	–	(150,000)	–	–	600,000	0.040%	(2),(4),(5)
	3.666	15,500,000	–	(600,000)	–	–	14,900,000	0.986%	(3),(4),(5)
Other participants	1.37	22,068,000	–	400,000	(302,000)	(200,000)	21,966,000	1.454%	(1),(4),(5)
	1.21	400,000	–	150,000	–	–	550,000	0.036%	(2),(4),(5)
	3.666	21,020,000	–	1,400,000	–	–	22,420,000	1.484%	(3),(4),(5)

* *Mr. Li Jianhong resigned as Non-executive Director on 11th August 2010.*

\# *Mr. Wang Xiaoming resigned as Executive Director on 11th August 2010.*

Notes

(1) These share options were granted on 2nd December 2004 pursuant to the Share Option Scheme and are exercisable at HK$1.37 per share at any time between 29th December 2004 and 28th December 2014.

(2) These share options were granted on 10th May 2005 pursuant to the Share Option Scheme and are exercisable at HK$1.21 per share at any time between 6th June 2005 and 5th June 2015.

(3) These share options were granted on 9th March 2007 pursuant to the Share Option Scheme and are exercisable at HK$3.666 per share from 9th March 2009 to 8th March 2015 in the stipulated proportion at any time namely:
- *(i) no share options shall be exercisable by the grantees within the first two years from 9th March 2007;*
- *(ii) up to a maximum of 30% of the share options can be exercised by the grantees from 9th March 2009 onwards;*
- *(iii) up to a maximum of 70% of the share options can be exercised by the grantees from 9th March 2010 onwards; and*
- *(iv) all share options can be exercised by the grantees from 9th March 2011 onwards.*

(4) These share options represent personal interest held by the relevant participant as beneficial owner.

(5) Save as disclosed above, no share options were granted, exercised, lapsed or cancelled under the Share Option Scheme during the year.

(6) During the year, the weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised was HK$4.43.

(7) The relevant share options issued will be recorded by the Company as staff cost in the income statement at the fair value of the relevant share options over the vesting period. Upon the exercise of the share options, the shares to be issued will be recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares will be recorded by the Company in the share premium account. Share options which have lapsed or been cancelled will be deducted from the outstanding options.

(8) The Company adopted Black-Scholes Options Pricing Model (a common valuation methodology for share options) to calculate the fair value of share options granted in 2005. The fair value for each of the share options granted in 2005 was HK$0.58 at the date of grant with assumptions as follows:
- *(i) interest rate of 10-year Exchange Fund Notes of 3.806% per annum as the risk-free interest rate;*
- *(ii) expected life of 10 years; and*
- *(iii) expected volatility of 50.2%, being the annualised volatility of the closing price of the share from 1st August 2004 to 30th November 2004.*

(9) The Company adopted Binomial Lattice Valuation Model (a common valuation methodology for share options) to calculate the fair value of share options granted in 2007. The weighted average fair value for each of the share options granted in 2007 was HK$1.33 at the date of grant with the major assumptions as follows:
- *(i) 4% per annum for the first 3 years and 4.25% per annum for the next 5 years as risk-free rates;*
- *(ii) expected life of 8 years;*
- *(iii) expected volatility of 37% per annum;*
- *(iv) annual dividend rate of 2.20% per annum; and*
- *(v) black-out periods, being one month prior to the release of annual/interim results (April and August respectively) and holding of price sensitive information, applicable to certain option holders with regard to seniority of their positions.*

The fair value of the share options is subject to a number of assumptions and with regard to the limitation of the models. Therefore the value may be subjective and difficult to determine.

DIRECTORS' INTERESTS IN SECURITIES

As at 31st December 2010, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) which (a) 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 and short positions which the Director has taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

1. Long positions in the shares of the Company

Name of Director	Capacity	Nature of interest	Total number of ordinary shares of the Company held	Approximate percentage of total issued share capital of the Company
Mr. Liang Yanfeng	Beneficial owner	Personal	1,222,000	0.081%
Mr. Wang Xiaodong	Beneficial owner	Personal	916,000	0.061%
Mr. Meng Qinghui	Beneficial owner	Personal	50,000	0.003%
Mr. Chen Xuewen	Beneficial owner	Personal	101,941	0.007%
Mr. Lin Wenjin	Beneficial owner	Personal	814,000	0.054%

2. Long positions in the underlying shares of equity derivatives of the Company

Details are set out in the section headed "SHARE OPTIONS" above.

3. Long positions in the shares of associated corporations

Name of Director	Name of associated corporation	Capacity	Nature of interest	Total number of ordinary shares of associated corporation held	Approximate percentage of total issued share capital of associated corporation
Mr. Kwong Che Keung, Gordon	COSCO Pacific Limited ("COSCO Pacific")	Beneficial owner	Personal	250,000	0.009%

4. Long Positions in the Underlying Shares of Equity Derivatives of Associated Corporations

(a) Share Options

Name of Director	Name of associated corporation	Exercise price	Outstanding as at 1st January 2010	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31st December 2010	Approximate percentage of total issued share capital of associated corporation	Exercisable period	Notes
Mr. Zhang Fusheng	COSCO Pacific	HK$13.75	1,000,000	–	–	–	1,000,000	0.037%	03.12.2004 – 02.12.2014	(1),(3),(4)
Mr. Meng Qinghui	COSCO Pacific	HK$13.75	500,000	–	–	–	500,000	0.018%	29.11.2004 – 28.11.2014	(1),(3),(4)
Ex-Director										
Mr. Li Jianhong*	COSCO Pacific	HK$13.75	1,000,000	–	–	–	N/A	N/A	02.12.2004-01.12.2014	(1),(3),(4)
	COSCO Corporation (Singapore) Limited ("COSCO SGP")	S$1.23	700,000	–	–	–	N/A	N/A	21.02.2007-20.02.2011	(2),(3),(4)

* *Mr. Li Jianhong resigned as Non-executive Director on 11th August 2010. As at 11th August 2010, he had the entitlement of 1,000,000 share options of COSCO Pacific and 700,000 share options of COSCO SGP.*

Notes

(1) Pursuant to the share option scheme of COSCO Pacific, an associated corporation of the Company, adopted on 23rd May 2003, these share options were granted during the period from 25th November 2004 to 16th December 2004 and are exercisable at HK$13.75 per share at any time within ten years from their respective date on which an offer is accepted or deemed to be accepted.

(2) These share options were granted by COSCO SGP, an associated corporation of the Company, on 21st February 2006.

(3) These share options represent personal interest held by the relevant participants as beneficial owner.

(4) No share options mentioned above were lapsed or cancelled during the year.

(b) Share Appreciation Rights

Name of Director	Name of associated corporation	Exercise price (HK$)	Outstanding as at 1st January 2010	Units granted during the year	Units exercised during the year	Units lapsed during the year	Outstanding as at 31st December 2010	Approximate percentage of total issued share capital H share of associated corporation	Notes
Mr. Zhang Fusheng	China COSCO Holdings Company Limited ("China COSCO")	3.195	600,000	–	–	–	600,000	0.023%	(1),(4),(5)
		3.588	800,000	–	–	–	800,000	0.031%	(2),(4),(5)
		9.540	780,000	–	–	–	780,000	0.030%	(3),(4),(5)
Mr. Jia Lianjun	China COSCO	3.195	75,000	–	–	–	75,000	0.003%	(1),(4),(5)
		3.588	65,000	–	–	–	65,000	0.003%	(2),(4),(5)
		9.540	60,000	–	–	–	60,000	0.002%	(3),(4),(5)
Ex-Director									
Mr. Li Jianhong*	China COSCO	3.195	450,000	–	–	–	N/A	N/A	(1),(4),(5)
		3.588	600,000	–	–	–	N/A	N/A	(2),(4),(5)
		9.540	580,000	–	–	–	N/A	N/A	(3),(4),(5)

* *Mr. Li Jianhong resigned as Non-executive Director on 11th August 2010. As at 11th August 2010, he had 450,000, 600,000 and 580,000 units of share appreciation rights of China COSCO at exercise price of HK$3.195, HK$3.588 and HK$9.540 respectively.*

Notes

(1) These share appreciation rights were granted by China COSCO ("Share Appreciation Rights") in units with each unit representing one H share of China COSCO on 16th December 2005 pursuant to the share appreciation rights plan adopted by China COSCO (the "Plan"). Under the Plan, no share will be issued. These Share Appreciation Rights can be exercised at HK$3.195 per unit at any time between 16th December 2007 and 15th December 2015.

(2) These Share Appreciation Rights were granted in units with each unit representing one H share of China COSCO on 5th October 2006 pursuant to the Plan. Under the Plan, no share will be issued. These Share Appreciation Rights can be exercised at HK$3.588 per unit according to its terms between 5th October 2008 and 4th October 2016.

(3) These Share Appreciation Rights were granted in units with each unit representing one H share of China COSCO on 4th June 2007 pursuant to the Plan. Under the Plan, no share will be issued. These Share Appreciation Rights can be exercised at HK$9.540 per unit according to its terms between 4th June 2009 and 3rd June 2017.

(4) These Share Appreciation Rights represent personal interest held by the relevant participants as beneficial owner. The beneficial owners of these Share Appreciation Rights are entitled to the premium of the price of the issued shares of China COSCO over the exercise price of the Share Appreciation Rights.

(5) No Share Appreciation Rights mentioned above were lapsed or cancelled during the year.

Save as disclosed above and in the section headed "SHARE OPTIONS" as at 31st December 2010, none of the Directors and chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) which (a) 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 and short positions which the Director has taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 31st December 2010, the following persons and entities, other than Directors or chief executives of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Name of shareholder	Capacity	Nature of interest	Total number of ordinary shares of the Company held (Long positions)	Approximate percentage of total issued share capital of the Company
COSCO	Interest of controlled corporation	Corporate interest	904,412,286	59.85%
COSCO Hong Kong	Interest of controlled corporation	Corporate interest	904,412,286	59.85%
True Smart International Limited ("True Smart")	Beneficial owner	Beneficial interest	904,412,286	59.85%

Note

True Smart has beneficial interest in 904,412,286 shares of the Company. Since True Smart is a wholly-owned subsidiary of COSCO Hong Kong which is in turn a wholly-owned subsidiary of COSCO, the interests of True Smart are deemed to be the interests of COSCO Hong Kong and in turn the interests of COSCO Hong Kong are deemed to be the interests of COSCO under the SFO.

Save as disclosed above, as at 31st December 2010, the Company has not been notified of any person or entity who had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

PUBLIC FLOAT

As at the date of the Report, the Board acknowledge that approximately 40% of the issued capital of the Company are held by the public.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in Bermuda being the jurisdiction in which the Company is incorporated.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existing during the year.

INDEPENDENT AUDITOR

The financial statements for the year have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31st December 2010.

CORPORATE GOVERNANCE

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

The Board believed that the Company has complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules during the year.

The audit committee of the Company (the "Audit Committee") consists of three Independent Non-executive Directors and the chairman of which is a certified public accountant. The duties of the Audit Committee include reviewing the accounting policies and supervising the Company's financial reporting process; monitoring the performance of both the internal and external auditors; reviewing and examining the effectiveness of the financial reporting procedures and internal controls; ensuring compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, and internal rules and procedures approved by the Board. The Audit Committee has discussed the internal controls and financial reporting matters with management of the Company and reviewed the results announcement and the audited financial statements of the Group for the year ended 31st December 2010. The Company has received from each of the Independent Non-executive Director, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-executive Directors to be independent.

The Company has adopted a code of conduct regarding securities transactions of Directors and employees ("Securities Code") no less exacting than the required standard set out in the Model Code contained in Appendix 10 to the Listing Rules. In order to ensure Directors' dealings in the securities of the Company are conducted in accordance with the Securities Code, a committee comprising the Chairman, the Vice Chairman, the Managing Director and the Deputy Managing Director(s) of the Company was set up to deal with such transactions.

The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code and Securities Code during the year ended 31st December 2010, all Directors confirmed that they have complied with the required standards set out in the Model Code and Securities Code during the year.

By order of the Board

WANG Xiaodong
Managing Director
Hong Kong, 24th March 2011

PROACTIVE DEVELOPMENT

Under the full support of COSCO and COSCO Hong Kong, the Group will continuously strive to steer towards the objective of becoming a large scale, specialised shipping services provider with "competitive advantages" and "comprehensive shipping services offerings" to create value for the Shareholders.

PROSPECTS

In 2011, the global economy still generally remains on the way of recovery with uncertainties lingering on and imbalanced regional development. China is one of the key drivers for the global economy and 2011 is the first year for the implementation of the "Twelfth Five-year Plan". The economy in general is expected to show stable growth momentum as guided by such macroeconomic control policies of "adjusting structure, securing growth and checking inflation". Imports and exports volume will also continue to maintain a stable growth. However, it is also noted that various factors such as imbalanced economic development among different countries and regions, increasing disputes over global exchange rates policy, greater threat from the global inflation, natural disasters and different regional conflicts may pose variation to the development of global economy. As a result, it is expected that there will be ups and downs on the road to global economic recovery.

Confronted with the complex and ever-changing economic environment in the future, the overall situation of the shipping market is expected to be positive. However, the excess transportation capacity will continue to exist due to the delivery of numerous new build vessels while shipping companies will seek development in a volatile environment being exposed to many factors such as imbalanced and unstable regional development. For the top three traditional vessel markets, the container transportation market is expected to accelerate to grow towards a positive direction, and the dry bulk goods and tanker transportation markets will experience bigger challenge.

For the new build vessel market, the global vessel orders in hand are still great. It is expected that there may be delays in delivery to a certain extent due to the influence of the shipping market. However the number of new build vessels delivered will remain at a high level. For the new build vessel order, it is expected that the general situation remains stable and the new build vessel price will be also relatively stable.

2011 is still a year full of challenges for the Group. Confronted with many uncertainties, the Group will adopt the main principles of "solid operation, management enhancement and proactive development" to proactively perform each task in an orderly manner. For the existing business segments, the Group confronts with changing market and strives to offer more value-added or tailor-made services to customers with a view to achieving a stable growth of both business and results, according to our attributes and strengthened risk control and on the back of innovative ideas, innovative models and innovative services. The Group will strengthen its internal control to adapt to the future development landscape of the Company through the optimised and comprehensive management system and the scientific and efficient management structure. The Group will also utilise the current advantage of ample capital to accelerate its pace in actively expanding its business segments and scope of services, enriching the implication of the strategic positioning of "Shipping Services" in order to further strengthen its corporate core competitiveness.

For ship trading agency services, the new build vessels ordered through COSCO Ship Trading have been scheduled to be delivered in coming two to three years. Based on the current orders, it is estimated that 2011 will be the peak period for new build vessel delivery. However, the new build vessel delivery will decline year by year from and after 2012. Confronted with such a market situation, COSCO Ship Trading will focus on tracking the operating conditions of shipyards and shipowners and coordinate with various parties well to ensure smooth delivery of new build vessels on the one hand, and will grasp new opportunities arising from new build vessels and second-hand vessels while proactively expanding non-COSCO Group businesses as new business channels to foster business growth, and further explore new business development, thereby providing driving force for the sustainable development of COSCO Ship Trading.

For marine insurance brokerage services, the underwriting capacity of the hull and machinery insurance in the international insurance market still remains in excess, leading to the intensified competition. In addition, shipowners still tighten their spending and are reluctant to incur extra insurance cost due to the continued volatility in the shipping market. Confronted with such unfavourable market conditions, COSCO Insurance Brokers will continue to take effective measures in 2011 to closely follow up the businesses within COSCO Group, proactively develop the insurance business of delivery of new vessels by the shipping companies, continuously strive for the development and promoting of the hull and machinery co-insurance business, strengthen maintenance and development of non-COSCO Group business, proactively explore new insurance products, strive to expand new insurance business, closely monitor the latest development of the Somali piratic activities and further expand the business of kidnap and ransom insurance and loss of hire insurance.

For supply of marine equipment and spare parts, Yuantong will further upgrade its internal management level to make full leverage of the regional advantage of various nodes, thus striving for realising the synergistic effect. It will actively reinforce its customer management efforts to enhance its service standard and establish effective internal control against risks to strength its own control capability. As a result, the platform of Yuantong will achieve healthy and orderly development. For business development, Yuantong will actively explore the business outside COSCO Group from its foothold in the business of COSCO Group, thus endeavouring to grow its business size. Yuantong will further extend its operation by increasing its business nodes and expanding its scope of business. It will consolidate and be in charge of the communication and navigation equipment business and gradually build up a comprehensive communication and navigation network system. In addition, it will diversify into various businesses. For example, it will strengthen its efforts in businesses such as voyage repair and marine supplies, and provide comprehensive services including various integrated services ranging from technical solutions, purchase planning, product portfolio, technical services, logistics and delivery to enhance its competitiveness. It will also actively consider the marine communication and navigation equipment production in order to establish itself as a conglomerate offering the one-stop service of the production, sales and service in the industry.

For container coatings, uncertainties still remain although the container shipping market is expected to turn around. It is believed that each container owner and shipowner will be more prudent after placing massive orders in 2010. New build container volume will not substantially increase, and the overall demand for container coatings is expected to be stable. In addition, as environmental protection is promoted all over the world, traditional solvent products will face increasing pressure due to environmental protection. Demand for water-based container coatings with low pollution and new technology will increasingly grow. Confronted with the intensified competition in the container coating market and the pressure of rising costs, COSCO Kansai Companies will continue to strive to reduce their purchase costs, strengthen internal management, optimise business process, strengthen technological research and development, and increase their corporate competitiveness to maintain their market share. For industrial heavy-duty anti-corrosion coatings, along with sustainable growth of China's economy and implementation of the "Twelfth Five-year Plan", and driven by series of policies aimed at expanding domestic demand and infrastructure, China's industrial heavy-duty anti-corrosion coating market is expected to grow steadily. The expanding infrastructure projects will boost the demand for industrial coatings in machinery and equipment and ancillary industries. In addition, in line with China's new energy development plan, new energy industry is expected to show a rapid growth momentum, and demand of coatings for nuclear power and wind power will increase sharply. COSCO Kansai Companies will mainly develop industrial heavy-duty anti-corrosion coatings and stress environmental protection as a focus while strengthening introduction and absorption of technology and research and development capabilities, enhance their corporate competitiveness, properly adjust product structure, with a focus on expansion of new businesses in industrial heavy-duty anti-corrosion coatings for bridges, oil storage tanks, wind and nuclear power generators.

For marine coatings, the number of delivery of new build vessels will remain high in 2011. The market demand for new build vessel coatings is expected to remain buoyant. Facing fierce market competition, Jotun COSCO will continue to promote green shipping and advocate low-carbon vessels to become a leader in energy saving and emission reduction solutions and promote its leading advantage of the energy saving technology of antifouling paint so as to maintain its markets share and leading position in the new build vessel coating market in China. Meanwhile, it will pay attention to the initial dock repair for new build vessels, and make efforts to increase the retention rate of dock repair for new build vessels to gradually enhance the sales volume of coatings for repair and maintenance. Jotun COSCO will proactively proceed with the construction of a new plant in Qingdao by its wholly-owned subsidiary, Jotun COSCO Marine Coatings (Qingdao) Co., Ltd. The annual production capacity of the project is expected to reach 50 million litres upon completion in 2012, thus further strengthening Jotun COSCO's leading position in the marine coating market in China.

For trading and supply of marine fuel and related products, Sinfeng will steadily explore new business, including development of new customers and oil suppliers, perfection of agency system and formation of regional marketing network on the bases of consolidation of its existing market business volume and long-term cooperation relationship between customers and suppliers. In the meantime, Sinfeng will proactively pursue integration and try to extend to the industry upstream and downstream to realise leap-forward development in supply of marine fuel.

For general trading, driven by the road construction projects in China, demand for China's asphalt imports is expected to stay strong in 2011. CITC will endeavour to fulfil the tasks in respect of the successfully tendered projects and consolidate its market share in such regions as Sichuan, Guizhou, Yunnan and Shaanxi of a solid market base while seeking business opportunities in new projects from the markets such as Guangxi, Hunan, Jiangxi, Jiangsu and Anhui, striving to achieve new market breakthrough.

With its efforts over the years, the Group has established a shipping services business platform composed of different business segments. Due to different business segments and control types as well as multiple tasks of production, operation and capital operation it faces, the Group will proactively and continuously make practice and improvement, thus realising management enhancement and value re-creation.

While making great efforts in production and operation of each business unit and consolidating the existing businesses, the Group will strengthen its strategic studies and accelerate the progress for new business development and new investment projects. After disposal of the Group's equity interests in SOLHL, the Group will utilise the current ample capital to proactively expand its businesses. Based on its strategic positioning of "Shipping Services", the Group will actively identify and explore the resources inside and outside COSCO Group, including proactively driven the projects of supply of bunker oil inside COSCO Group. These will continuously consolidate and expand the shipping services business. By integrating the industry upstream and downstream, the synergistic effect realised from the asset structure, and specific control models, the Group will strengthen its studies leveraging on internal and external resources from different perspectives such as the global trends on energy saving and emission reduction, low-carbon, technological innovation and shipping services so as to proactively seek investment opportunities, continuously expand business resources, and enrich its strategy implication, thus further strengthening its core competitiveness.

In addition, the Group will also continue to strengthen safety management to secure a stable and safe production environment throughout the year. Establishment of a comprehensive risk management system will be promoted and implemented to enhance internal control, and to enhance quality of risk monitoring. Furthermore, the Group will further strengthen its corporate management and enhance its corporate governance level, while the quality of its products and services will be improved to consolidate its core competitiveness. With a view to fulfilling the development strategy of the Company, the Group will also improve its capital structure, enhance its corporate value, and maintain good investor relations, thus making use of its capital raising platform as a listed company.

Under the full support of COSCO and COSCO Hong Kong, the Group will continuously strive to steer towards the objective of becoming a large scale, specialised shipping services provider with "competitive advantages" and "comprehensive shipping services offerings" to create value for the Shareholders.

COSCO International believes that proper and effective investor relations management plays an important part in corporate strategic development. During the year, taking advantage of the turnaround of the global economy, as well as in line with the progress of the capital operation of the Company, COSCO International proactively and openly maintains stable and good two-way communications with its shareholders, investors and sell-side analysts, as well as the financial media, thus further consolidating and strengthening investor confidence and enhancing the corporate investment value.

INVESTOR RELATIONS STRATEGY AND POLICY

The investor relations strategy of COSCO International has always been based on the grounds of proper information disclosure, strengthening two-way communications with the shareholders and investors, and enhancement of transparency and corporate governance level of the Company, with the aim of increasing the investment value of the Company. Under the requirements of laws and regulations, we have formulated the Regulations for Investor Relations Management, the Information Management Policy and the Website Management Policy to provide a clear guidance for the investor relations personnel to conduct investor presentations, categorise the various types of information and regulate the disclosure procedures in order to sufficiently safeguard the "right to know" of the investors and shareholders. We communicate with the shareholders and investors in an honest, equal and active manner through fair, just and open channels. The investment value of the Company could be enhanced through promoting better understanding and recognition of the Company among the investors and shareholders.

CONTINUOUS AND EFFECTIVE COMMUNICATION TO MANAGE INVESTOR EXPECTATION

The management of COSCO International believes that good investor relations management is an important element of high level of corporate governance. Therefore, the investor relations personnel of the Company are responsible for setting up a bridge for sharing discloseable information between the Company and the shareholders and the investors. Through this bridge, on one hand, the Company can provide up-to-date, accurate and complete corporate information, including the latest operating conditions and the development strategy of the Company and the industry prospects, to the shareholders, investors and analysts to increase their knowledge in the Company and the industry in which it operates, enabling them to assess the investment value of the Company effectively and properly managing investor expectation. On the other hand, through close and effective communication with the shareholders and investors, the Company can also learn about their expectations and opinions on the development of the Company and the main driver and the method when they consider to invest in the Company as valuable reference information for the management when formulating decisions, thereby further enhancing its corporate governance and transparency and facilitating its sustainable development in order to build up a solid foundation for greater investment value of the Company.

Capitalising on market change to actively build up investor relations

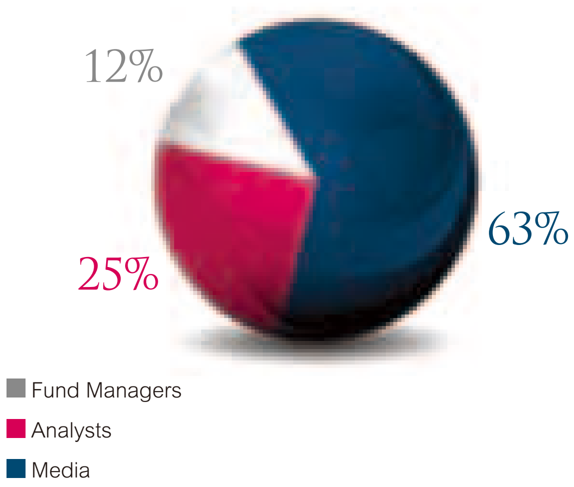
In 2010, the European countries and the United States of America introduced their quantitative easing monetary policies for several times to stimulate their economies, which prompted a rise in the international liquidity funds invested in the equity market, and accordingly investor marketing activities became active. During the year, taking advantage of the turnaround of the global economy and the increased number of promotion activities organised by securities firms, the Company actively participated in the investor conferences organised by securities firms. Capitalising on the opportunities arising from the shifting of the focus of the international shipping industry and shipbuilding industry to Asia, especially to China, as well as in line with the progress of the capital operation of the Company, the Company also highlighted the competitive edges and the potential values of the Company to the investors and sell-side analysts of various regions, thus further consolidating and strengthening investors' confidence in the development of the Company and enhancing its investment value.

During the year, the Company promoted its business development model, operating conditions and future development strategy to shareholders and investors in results press conferences, analyst presentations, post-result roadshows activities, the annual general meeting, company visits, conference calls and individual meetings, as well as luncheons with the media, and by participating in the presentations and industry seminars organised by the securities firms such as J.P. Morgan, Goldman Sachs and Gao Hua, Bank of America Merrill Lynch, UBS, Citigroup, SWS, BNP Paribas Capital, Deutsche Bank and DBS Vickers in Hong Kong, Singapore and China Mainland. The Company met fund managers, analysts and the media for 275 attendances, 110 attendances and 55 attendances respectively, representing a total of 440 attendances (2009: 281 attendances), through multiple channels and sincere and proactive communication during the year. The increase of number of attendance was the result of the Company's seizure of the market opportunities to actively develop investor relations.

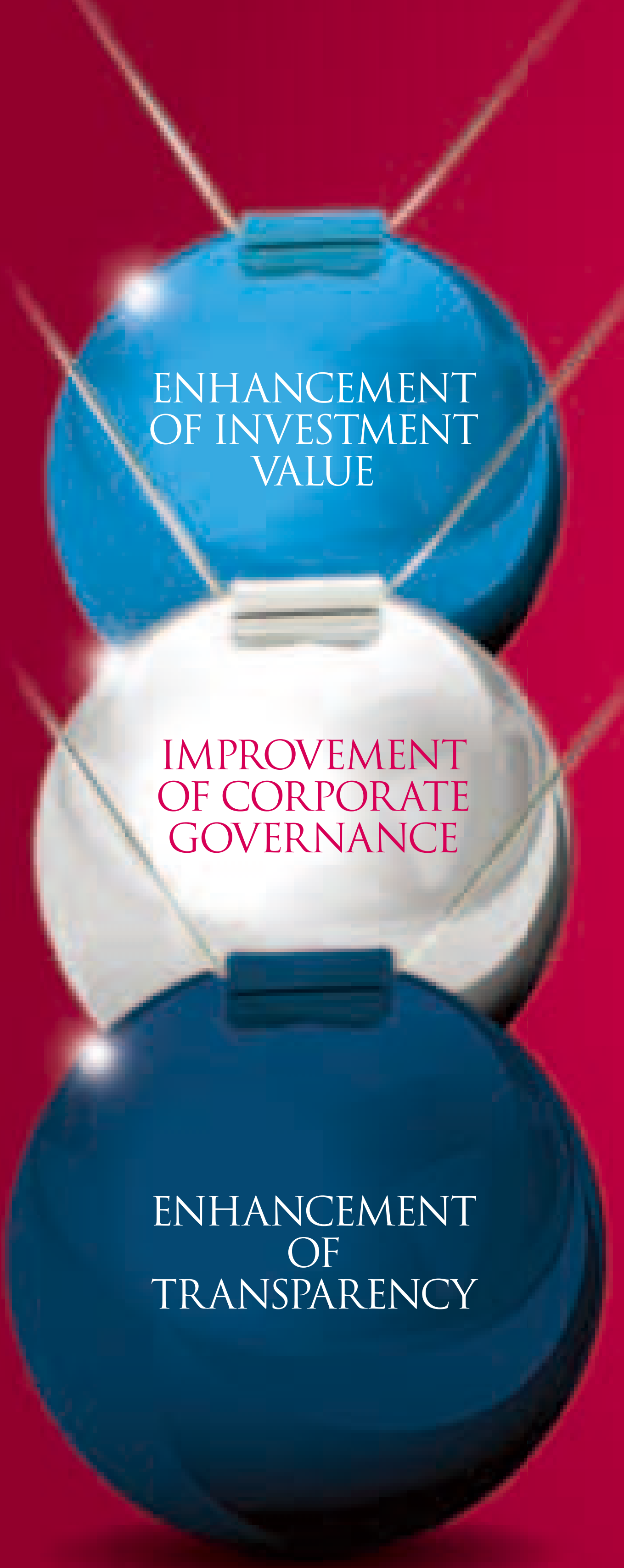
Strengthening the website setup to reflect the emphasis on information disclosure

The Group has been putting an emphasis on its corporate website setup as it is the communication channel which provides the most direct access and the most up-to-date corporate information for the shareholders of the Company. In 2010, the Group further improved the layout and content of the investor relations section of its website by enhancing the navigability and readability of the corporate website to help investors and shareholders easily and rapidly browsing the corporate information. According to the analysis of the use of the Company's website of Google Analytics, there were 12,282 visits and 112,847 page views for the Company's website from 121 countries and regions in 2010. The statistics above reflected the page views of the Company's website were significantly increased after its revamp. The different origins of visitors reflected that investors all over the world were concerned with COSCO International.

BREAKDOWN OF ATTENDANCES AT MEETING WITH THE MANAGEMENT OF THE COMPANY BY PERCENTAGE IN 2010



VARIOUS ACTIVITIES TO DEVELOP INVESTOR RELATIONS



- Conducting press conferences and analyst presentations to announce the Company's interim and annual results and answer questions raised by the media and analysts. Webcast of the press conferences have also been posted on the Company's website in 8 hours afterwards to allow access by the shareholders and the investors whenever.
- Introducing shareholders' participation in important decisions making of the Company through polling at general meetings, and arranging direct communications between the shareholders and the directors and the management of the Company.
- Arranging regular meetings and conference calls with analysts and fund managers to introduce the business model, operating conditions and future development strategies of the Company.
- Participating in corporate presentation conferences and roadshows organised in different regions by securities firms to present the development strategies and operating conditions of the Company and the industry prospects to the investors from various regions around the world.
- Communicating with the investment community to learn about more up-to-date information concerning the industry, in order to facilitate future capital operations or financing of the Company.
- Posting the financial statistics for the recent years, latest investor relations activities and the latest discloseable information of the Company in the investor relations section on the website of the Company.
- Dispatching the media, the analysts and the investors, such as fund managers, the latest news of the Company through emails on a timely basis and also simultaneously posting such information on the website of the Company to enhance its transparency.
- Arranging financial media gatherings or media interviews with the management of the Company regularly to enhance media relations and increase media coverage on the Company, hence helping the investors and the public better understand the positioning and business activities of the Company as well as its latest news.

LIST OF INVESTOR RELATIONS AND MEDIA RELATIONS ACTIVITIES IN 2010

Month	Events
Jan	Attending DB Access China Conference 2010 organised by Deutsche Bank in Beijing
	Attending the non-deal roadshow organised by Samsung Securities in Hong Kong
	Attending the 10th Anniversary Great China Conference organised by UBS in Shanghai
Feb	Attending the China Transportation and Infrastructure Day organised by Citigroup in Hong Kong
Mar	Organising a press conference and an analyst presentation to announce 2009 annual results of COSCO International
	Attending the 2009 annual results roadshow organised by DBS Vickers in Hong Kong
Apr	Attending RBS China Industrials & Exporters Access organised by the RBS in Hong Kong
May	Attending Overseas China Stocks Investment Forum organised by SWS in Hong Kong
	Attending China Transportation Corporate Day organised by BNP Paribas Capital in Hong Kong
Jun	Attending China Conference 2010 organised by J.P. Morgan in Beijing
Jul	Attending HK & China Small/Mid Cap Corporate Access Day organised by J.P. Morgan in Hong Kong
Aug	Organising a press conference and an analyst presentation to announce 2010 interim results of COSCO International
Sep	Attending Asian Investor Conference 2010 organised by DnB Nor in Singapore
	Attending the 2010 interim results roadshow organised by DBS Vickers in Singapore
	Attending the 2010 interim results roadshow organised by Samsung Securities in Hong Kong
Oct	Attending the Asia 17th Annual China Conference organised by BNP Paribas Capital in Guilin, Guangxi, China
Nov	Attending the China Investment Frontier Conference 2010 organised by Goldman Sachs and Gao Hua in Beijing, China
	Attending the China Investment Summit organised by Bank of America Merrill Lynch in Beijing, China
	Attending Transportation and Infrastructure Corporate Access Day organised by Standard Chartered Bank in Hong Kong

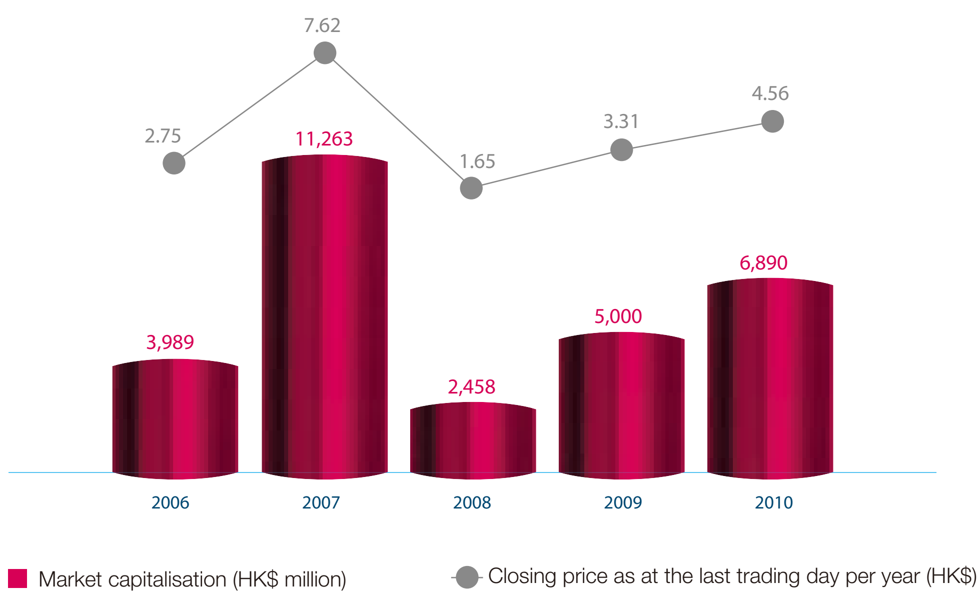
INVESTOR RELATIONS

PERFORMANCE OF SHARE PRICE AND TRADING IN 2010

As at 31st December 2010, the closing share price of COSCO International was HK$4.56 (2009: HK$3.31), representing a year-on-year increase of 38%, which outperformed the Hang Seng Index, the Hang Seng China Enterprises Index and the Hang Seng China-Affiliated Corporations Index in Hong Kong. The shares in issue of COSCO International were 1,511,069,429 shares (2009: 1,510,697,429 shares). The market capitalisation of the Company was HK$6,890,477,000 (2009: HK$5,000,408,000), representing a year-on-year increase of 38%. During the year, the highest share price was HK$5.42 and the lowest share price was HK$3.19. In 2010, the trading volume and trading turnover significantly increased mainly due to the news reports related to the disposal of the entire shareholdings in SOLHL held by COSCO International. The daily average trading volume and daily average trading turnover were 7,149,000 shares (2009: 3,494,000 shares) and HK$31,282,000 (2009: HK$10,436,000) respectively, representing a significant year-on-year increase of 105% and 200% respectively.

CHANGE IN SHARE PRICE AND NO. OF SHARES TRADED IN 2010

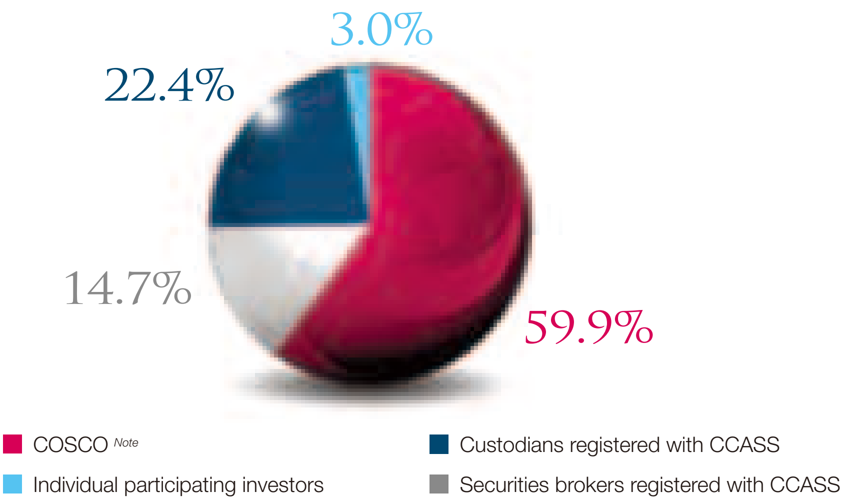
PERFORMANCE OF SHARE PRICE AND MARKET CAPITALISATION FOR THE PAST FIVE FINANCIAL YEARS



SHAREHOLDING AND EQUITY STRUCTURE

As at 31st December 2010, approximately 40.1% of shares in issue of the Company was held by the public shareholders. According to the register of members of the Company and the participants' shareholding report prepared by CCASS on 31st December 2010, the details of shareholding and equity structure of the Company are set out as follows:

SHAREHOLDING STRUCTURE BY PERCENTAGE IN 2010



Note: The major controlling shareholder of the Company is True Smart International Limited, and therefore the interests of True Smart International Limited are deemed to be the interests owned by COSCO Hong Kong and in turn the interests of COSCO Hong Kong are deemed to be the interests owned by COSCO under the Securities and Futures Ordinance.

EARNINGS PER SHARE AND DIVIDENDS PER SHARE

The basic earnings per share of the Group for 2010 of 83.97 HK cents included 64.96 HK cents per share derived from the non-core business of SOLHL-related profits and 19.01 HK cents per share derived from core earnings. As a return for the long term support of the shareholders, the Board of COSCO International has recommended to pay a one-off special dividend of 35.00 HK cents per share, equivalent to approximately 54% of the SOLHL-related profits for 2010 or 10% of the cash proceeds from the disposal of the entire 16.85% shareholding in SOLHL. The Board has also recommended a final dividend of 3.00 HK cents per share. Together with the interim dividend of 2.00 HK cents per share, total dividends of 5.00 HK cents per share represented a dividend payout ratio of 26% of the core profit. The total dividends for 2010 was 40.00 HK cents per share (2009: 9.40 HK cents).

As the major non-core assets of the Company have been disposed of, in order to further enhance the transparency of the dividend policy of COSCO International and help the investors form a more accurate expectation on the dividend amount in the future, "recurrent operating profit" will no longer be used as the basis for the dividend payout since 2010, and net profit will be directly used (that is, the one-off non-recurrent and non-cash gain or loss will not be excluded) as the basis for the dividend payout. In the future, the dividend payout will be not less than 25% of the net profit.

BASIC EARNINGS PER SHARE, DIVIDENDS PER SHARE AND DIVIDEND PAYOUT RATIO FOR THE PAST FIVE FINANCIAL YEARS

	2006	2007	2008	2009	**2010**
Basic earnings per share (HK cents)	42.90	175.95	33.18	56.25	**83.97**
Recurrent operating earnings per share (HK cents)	16.30	18.30	30.20	26.10	**N/A**
Dividends per share (HK cents)	5.30	6.30	7.40	9.40	**40.00**
- Interim and final dividends per share (HK cents)	5.30	4.50	7.40	9.40	**5.00**
- Special dividend per share (HK cents)	–	1.80	–	–	**35.00**
Dividend payout ratio in terms of net profit (%)	12	4	22	17	**48**
- Dividend payout ratio in terms of the SOLHL-related profits (%)					**54**
- Dividend payout ratio in terms of profit of the core business (%)					**26**
Dividend payout ratio in terms of recurrent operating profit Note (%)	33	25	25	36	**N/A**

Note: The dividend payout ratio in terms of recurrent operating profit is calculated by dividing dividends per share for the year by recurrent operating profit per share. Since 2010, net profit is directly used as the basis for the dividend payout and the dividend per share is not less than 25% of the net profit per share.

PROACTIVE DEVELOPMENT

MARKET RECOGNITION

In 2010, with the joint efforts of the management and all staff, through good investor relations and adequate information disclosure, COSCO International was awarded various international prizes. They are:

- the Gold Award for Social Responsibility and Investor Relations in The Asset Corporate Awards 2010 Presentation Ceremony presented by The Asset;
- the 2009 annual report won the Bronze Awards for both categories of "Chairman's Letter: Shipping Services" and "Financial Data: Shipping Services" in the 24th International ARC Awards Competition and the Silver Awards for both categories of "Annual Report: Shipping Services" and "Design: Annual Report – International & Traditional-over 157 pages" in the 21st International GALAXY Awards Competition respectively; and
- the Company's website won the Bronze Award in the category of the "Investor/Shareholder Relations" and the Honours Awards in the category of the "Home page" in the 10th Anniversary International iNOVA Awards Competition.

Such awards and honours represented that the public fully recognised the Company's continued efforts in information disclosure and investor relations. In the future, the Company will continue to put great efforts to further enhance the transparency and disclosure of the corporate information, enabling more investors to understand the development strategies, business model and the management culture of the Company, thus improving reputation and investment value of the Company.

INVESTOR RELATIONS PROSPECTS

Looking forward, the pace of global economic recovery is expected to be slow in 2011. It is expected that the market will be volatile and investors hold different views on the prospects. However, the Company strongly believes that maintaining effective and thorough communication with its shareholders and investors irrespective of the market conditions is a prerequisite for achieving a high level of investor relations. Through the high transparency and timely disclosure of information, COSCO International will continue to take the initiative to maintain two-way communication with the shareholders, investors, analysts and the media through fair, just and open channels to boost their understanding of and confidence in the Company, and thus further optimising the shareholding structure of the Company and maximising the value for shareholders. The specific measures include:

1. Continuing to communicate and exchange views with its shareholders and investors in Hong Kong and overseas as well as the potential investors in an honest and equal manner to help them fully understand the development strategies of the Company in order to attract more long-term institutional investors, thus optimising the shareholding structure.
2. In line with the development of the Company, maintaining close relations with securities firms, and actively participating in roadshows organised by securities firms in order to increase the Company's transparency and attract more sell-side analysts to cover the Company, thus raising the public awareness towards the Company.
3. Obtaining more industry latest news and investors' opinions and suggestions on the Company by reinforcing the communication with the investment community, so as to provide valuable references for corporate strategic decisions making and future development plans.
4. In compliance with the disclosure requirements of the Listing Rules, actively studying the feasibility of disclosing more information on the operating conditions of the Company which enables the public to receive the timely and accurate information of the Company through adequate information disclosures, so as to enhance their understanding of the Company.
5. Further making use of the website of the Company as a medium to release the latest news of the Company to the public; releasing more timely and accurate information on the website so as to facilitate investors' search and access of information of the Company.

FREQUENTLY ASKED QUESTIONS

1. What are the development strategies of COSCO International in 2011?

ANS: In 2011, the global economy and shipping market remain on the way of recovery with uncertainties lingering on, including the recent natural disaster and regional conflicts. Shipping companies will seek to develop in a volatile environment. For COSCO International, 2011 will still be the peak period for new build deliveries and the global fleet capacity will still maintain stable growth. We expect our existing businesses will maintain healthy and stable development. Our major challenge will be how to grasp the opportunities by utilising the cash on hand to acquire or develop new projects, so as to achieve a leap in the development of shipping services. Our development strategies include: actively seek development opportunities in core business and try to achieve further progress in the development of marine bunker supply business through acquisitions; explore new value-added services to increase profit drivers along value chain; increase customer base by targeting new Chinese investors in shipping; further expand services network for better geographical presence; increase synergies across business segments. Our aim is to become a specialised and integrated shipping related services provider with considerable scale, competitive advantages and a complete industry chain of shipping services. We will strive to create greater returns for our shareholders.

2. What is the capital expenditure plan of the Company in 2011?

ANS: As at the end of December 2010, the cash in hand of the Group was HK$6.47 billion.

Currently, the total capital expenditure plan of COSCO International for 2011 is approximately HK$192 million, which mainly comprises approximately HK$154 million for marine coatings production capacity expansion and approximately HK$38.00 million for other production and office equipment. In addition, COSCO International will actively develop shipping services and the potential investments during the year may cost HK$3.0 billion, which requires the same amount of cash be retained. At present, such investment plan has not reached the stage which requires disclosure by announcement.

3. What is COSCO International's dividend policy? Will the company distribute special dividend in future?

ANS: The Board considers the dividend payout ratio each year mainly based on the profit of the Company and the funds required for future development and the prevailing economic and market conditions. The previous practice was to distribute not less than 25% of the recurrent operating profit for the year as dividend. In order to further increase the transparency of the dividend policy and help the investors calculate and estimate the dividend amount, the dividend policy of COSCO International has been changed to distribute not less than 25% of net profit for the year to the shareholders since 2010. The recurrent operating profit will no longer be used as the basis for the dividend payout. In other words, net profit will be directly used as the basis for the dividend payout and the one-off non-recurrent and non-cash income or loss will not be excluded.

Disposal of the shares of SOLHL, being a non-core business, during the year created substantial extraordinary gain for the Group. COSCO International has resolved to pay a one-off special dividend of 35 HK cents per share out of the SOLHL-related profits (including the attributable profit for the year, disposal gain and the reserves realised after the disposal) as a return for the long term support of the shareholders.

COSCO International will maintain a stable dividend policy and distribute its profit under the circumstances for the subsequent years, thus fulfil its commitment to share its returns with the shareholders. The payment of future dividend will be subject to the market changes and capital requirement of the development projects of the Company in the future.

4. As at the end of 2010, what is the reason for the sharp increase in the trade receivables of the Company as compared to 2009? How can the Company control the risk of increase in bad debts?

ANS: As at the end of 2010, the total trade receivables (net of provisions) of the Company was HK$1,277,778,000 (2009: HK$391,722,000), representing a significant increase of HK$886,056,000 as compared to the end of 2009 mainly due to the recovery of the coating business during the year, as well as the rise in the trading volume of the marine fuel and asphalt business, which resulted in a significant increase of trade receivables.

The management of the Company place emphasis on the receivable management. In addition to regularly reporting and tracking the collection of receivables, the subsidiaries of the Group also set up dedicated management teams or assign the officer-in-charge for collecting and closely monitoring the receivables.

5. What was the effect of Renminbi appreciation on the business operation of the Company in 2010?

ANS: In 2010, Renminbi appreciated by approximately 3.1% against United States dollars for the year. As of the end of 2010, the Renminbi-denominated sales of COSCO International accounted for approximately 24% (the majority of which was recorded by COSCO Kansai Companies and CITC) of the consolidated total revenue and the other sales were denominated in other currencies which accounted for approximately 76% of the total revenue. Currently, the payment and receipt of foreign currencies (currencies other than Hong Kong dollars) are substantially balanced. For the Renminbi-related businesses, the container coating business of COSCO Kansai Companies previously was an exports business and would have been exposed to greater currency risks if Renminbi had appreciated. However, since early 2010, COSCO Kansai Companies had changed most United States dollars-denominated sales into Renminbi-denominated sales with the sales revenue settled in Renminbi and the foreign currency risk due to Renminbi appreciation had greatly reduced for COSCO Kansai Companies.

6. Amongst all customers of shipping services, what is the revenue proportion from COSCO group's fellow subsidiaries?

ANS: In 2010, revenue from COSCO Group's fellow subsidiaries accounted for about 9% (2009: 42%) of the segment revenue from shipping services, of which the proportions of the segment revenues from ship trading agency, marine insurance brokerage and supply of marine equipment and spare parts businesses derived from COSCO Group's fellow subsidiaries were relatively high, i.e. 87%, 71% and 69% respectively. Segment revenues from sale and production of coatings and trading and supply of marine fuel from COSCO Group's fellow subsidiaries accounted for about 1% and 1.8% respectively.

7. Will the shipping services business be affected by the cyclical change of the shipping industry? What is the greatest operating risk during the operation of the Company?

ANS: COSCO International is currently engaged in the shipping services business whose customers principally are the vessels. All of its revenue is the direct or indirect costs of shipowners or ship operators and does not depend on freight rate change. In addition, the diversified business units of the shipping services are cyclically complementary to each other and generate stable earnings without obvious cycle.

The earnings volatility analysis of each business of COSCO International illustrates that:

a. The cycles of the businesses of ship trading agency and sale of marine coatings basically are the same with that of the shipbuilding industry. Their revenue or sales amount mainly depends on the volume of new vessels delivered;

b. The revenue of the businesses of insurance brokerage and spare parts supply will slightly change with the shipping industry cycle due to the difference in the shipowners' efforts in cost control but the change is minimum;

c. The marine fuel supply business is not cyclical;

d. The cycle of the container coating business should theoretically change with the cycle of delivery of new build container vessels (the container shipping companies usually have their containers in place in accordance with the slot to box ratio of 1: 1.8 to 2). This business benefits from the capacity growth of the container shipping market but also is restricted by the demand for container shipping. For example, the global financial crisis in 2009 resulted in a surprisingly sharp decrease in the demand for container shipping and the service of many container ships was suspended in 2009, thus dealing a heavy blow to the demand for container coatings.

According to the above analysis, in our opinion, COSCO International serves both the shipping industry and the shipbuilding industry and the cycle of the shipbuilding industry usually lags behind that of the shipping industry about two years so the temporary volatility of the two industries have limited effect on the overall earnings of the Company. If a continuous global economic recession drives the shipping industry falling into a trough for a prolonged period and the total number of vessels in operation accordingly decrease, the correlation of the two industries will have negative effect on the overall earnings of COSCO International and this may be the greatest risk during the operation of the Company.

8. The number of new build ship orders are relatively low in view of the forecast supply-demand imbalance in the shipping market. To what extent will this affect the ship trading agency business of COSCO International?

ANS: The new build vessels ordered through COSCO Ship Trading have been scheduled to be delivered in coming two to three years. Based on the current orders, it is estimated that 2011 will continue to be the peak period for new build vessel delivery. However, the new build vessel delivery will decline year by year from and after 2012. Confronted with such market situation, COSCO Ship Trading will focus on tracking the operating conditions of shipyards and shipowners and coordinate with various parties well to ensure smooth delivery of new build vessels on the one hand, and will grasp new opportunities arising from new build vessels and second-hand vessels while proactively explore new customers of non-COSCO Group to foster business growth, and further explore new business development, thereby providing driving force for the sustainable development of COSCO Ship Trading.

9. When will the commission revenue of the ship trading agency services be recognised?

ANS: Agency commission is the major revenue of COSCO Ship Trading. Though agency commission revenue of COSCO Ship Trading is collected in stages based on the ship building schedule, such commission revenue on new vessels will only be recognised upon the delivery of the new vessels. Commission revenue on trading of second-hand vessels is payable within a specified period commencing from the delivery of the vessels by the vendor to the buyer and will be booked by the end of that period.

10. What is the effect of the cycle of the shipping industry on the demand for marine spare parts?

ANS: Generally, the demand for marine spare parts is not immediately reflected when the shipping market starts to move upward mainly because the shipowners are not very confident in the future. However, when the shipping market moves upward to a certain extent, the shipowners will begin to increase their purchase. On the contrary, when the shipping market starts to move downward, the shipowners will immediately become more conservative and reduce their orders for equipment.

11. After expansion of the overseas spare part network of the Company, what is the difference in the positioning, products and service offering and the client base of each subsidiary and how can they complement each other?

ANS: Yuantong has entire shareholdings in Shin Chung Lin in Japan and Xing Yuan in Singapore so it can have integrated planning and arrangement over the whole business, which produces the synergistic effect. For example, aggregation of orders after the reorganisation will enhance Yuantong's bargaining power for a preferential price for bulk purchase with the manufacturers. The level of product variety, product delivery, maintenance service and proper inventory and customer service will be enhanced due to the larger network coverage.

As the three companies have same interests, there will be no internal competition because Yuantong is responsible for centralised management. On the basis of integrated business planning, the characteristics of each network will take effect. For example, Yuantong enjoys the regional advantage of Hong Kong (low taxation) and China Mainland. Xing Yuan enjoys the regional advantage of Singapore as a shipping hub. Shin Chung Lin has the advantage of proximity to the Japanese manufacturers and communication. COSCO International's overseas platform for the supply of spare parts will further make use of the various networks to enhance its overall competitiveness in the market and expand into new businesses.

12. COSCO Kansai Companies plan to focus on the development of the industrial coatings business. What are the prospects of the industrial coatings market? Which type of industrial coatings products will be the focus of the companies?

ANS: Along with sustainable growth of China's economy and implementation of the "Twelfth Five-year Plan", and driven by series of policies aimed at expanding domestic demand and infrastructure, China's industrial heavy-duty anti-corrosion coating market is expected to grow steadily. The expanding infrastructure projects will boost the demand for industrial coatings in machinery and equipment and ancillary industries. In addition, in line with China's new energy development plan, new energy industry is expected to show a rapid growth momentum, and demand for coatings of green energy equipment will increase sharply. COSCO Kansai Companies will mainly develop industrial heavy-duty anti-corrosion coatings and focus on green coatings while strengthening introduction of new technology and research and development capabilities, so as to enhance their competitiveness; properly adjust product structure, with a focus on expansion of new businesses in industrial heavy-duty anti-corrosion coatings for bridges, oil storage tanks and green energy equipment, etc.

13. What are the major raw materials for the production of container coating products?

ANS: The oil-refined products and metal products are the main raw materials of the container coating products. The oil-refined products such as epoxy resin, methylbenzene and solvent account for approximately 65% of the total production cost, while the metal products, including titanium dioxide and zinc dust, account for approximately 30% of the total production cost.

14. Will there be significant increase in demand for container coatings in 2011?

ANS: The demand for container coatings mainly depends on the number of new build containers. Uncertainties still exist although the container shipping market is expected to be in the uptrend during the year. It is believed that each container owner and shipowner will be prudent after placing massive orders in 2010. New build container volume will not substantially increase, and the overall demand for container coatings is expected to be stable. In addition, as the awareness of environmental protection is on the rise all over the world, traditional solvent products will face increasing pressure due to environmental protection. Demand for water-based container coatings with low pollution and new technology will increasingly grow. According to the estimates of the industry, the demand for new build containers will be between 2,500,000 TEUs and 3,000,000 TEUs in 2011, which is similar to the container production volume in 2010 (approximately 2,740,000 TEUs). Based on the consumption of 0.075 tonne coatings per TEU, the estimated demand for container coatings will be between 190,000 tonnes and 230,000 tonnes in 2011.

15. Why did the profit contribution from Jotun COSCO decrease by 25% for 2010? What was the composition of the raw materials of marine coatings and the change in gross profit margin of Jotun COSCO during the year?

ANS: During the year, the Group's share of profit from Jotun COSCO was HK$76,552,000, down 25% from 2009 primarily due to the overall decline in the gross margin as a result of Jotun COSCO being affected by the rising raw material prices during the year. Oil-refined by-products and metal products accounted for approximately 79% and 12% of the raw materials respectively used for marine coating production of Jotun COSCO. The prices of oil-refined products such as resin and solvent continuously rose in 2010, being affected by the international crude oil price. The price of metal products such as copper, zinc and aluminium increased continuously during the year.

For 2010, as 77% of the marine coatings sales of Jotun COSCO was new build vessel coatings, whose selling price was fixed when the new build vessel contracts which were of long-term contracts were entered into and additional material cost due to the rise in raw material prices cannot be shifted. As a result, the gross profit margin of Jotun COSCO decreased.

Jotun COSCO will actively develop the dock repair market for coatings, thus increasing its sales in terms of coating repair and maintenance and reducing the effect of higher costs on gross profit margin.

16. What will be the future business development direction of Sinfeng?

ANS: Sinfeng will steadily explore new business, including development of new customers and oil suppliers, perfection of agency system and formation of regional marketing network on the bases of consolidation of its existing market business volume and long-term cooperation relationship between customers and suppliers. In the meantime, Sinfeng will proactively pursue integration and try to extend to the upstream and downstream businesses along the industry chain such as storage tanks and bunkering barges respectively, so as to realise leap-forward development in supply of marine fuel.

17. How does the increase in oil prices affect the gross profit and the gross profit margin of Sinfeng? Are there any other factors which will lead to a change in the gross profit margin?

ANS: The profit made by Sinfeng falls within a reasonable market level and also depends on the demand of customers as its profit model is built on the profits made on the spread between contracted transaction amounts. The gross profit of Sinfeng is generally calculated by multiplying the business volume by a fixed spread. Thus, a change in oil prices has little direct impact on the unit gross profit but only affects the calculation of the gross profit margin. An increase in oil prices will exert downward pressure on the gross profit margin, but the gross profit margin may rise if oil prices decrease. However, escalating oil prices may hamper the global economic growth, and in turn affect the future business expansion of Sinfeng, and may affect its profit.

18. How does Sinfeng hedge the risks resulting from a change in oil prices in its operation?

ANS: It is unnecessary for Sinfeng engaged in the oil supply business to carry out any hedging activities if the sales and purchases of fuel oil are quoted with fixed prices. Otherwise, Sinfeng has to convert the variable purchase price to a fixed price through traders. Through this method, Sinfeng can effectively prevent the price risk and lock up the gross profit of the marine fuel supply business.

A GLANCE AT FIVE-YEAR FINANCIAL STATISTICS

For the year ended and as at 31st December	2006	2007	2008	2009	**2010**
Total number of shares issued (million)	1,451	1,478	1,490	1,511	**1,511**
Closing price *Note* (HK$)	2.75	7.62	1.65	3.31	**4.56**
Market capitalisation *Note* (HK$ million)	3,989	11,263	2,458	5,000	**6,890**
Basic earnings per share (HK cents)	42.90	175.95	33.18	56.25	**83.97**
Price/earnings ratio *Note* (times)	6.40	4.33	4.97	5.88	**5.40**
Dividends per share (HK cents)	5.30	6.30	7.40	9.40	**40.00**
Dividend payout ratio (by net profit) (%)	12%	4%	22%	17%	**48%**
Dividend payout ratio (by recurrent operating profit) (%)	33%	25%	25%	36%	**N/A***
Net asset value per share (HK$)	1.52	3.32	3.72	4.25	**4.83**
Return on total assets (%)	18.9%	51.9%	7.3%	11.4%	**15.0%**
Return on shareholders' equity (%)	32.5%	72.5%	9.4%	14.1%	**18.5%**
Net cash-to-shareholders' equity ratio (%)	35.6%	16.6%	21.2%	19.7%	**85.8%**
Current ratio (times)	1.90	1.97	1.87	2.43	**4.66**
Quick ratio (times)	1.40	1.61	1.63	2.04	**4.41**
Interest coverage (times)	47.30	60.50	39.76	78.7	**89.0**

Note: As at the last trading day per year

* *The previous practice was to distribute not less than 25% of the recurrent operating profit for the year as dividend. The recurrent operating profit will no longer be used as the basis for the dividend payout since 2010.*

COSCO International always believes that for an enterprise which pursues sustainable development, it should not only increase its profitability and maximise its shareholders' value, but also, more importantly, establish a social responsible corporate culture and strive for the long-term and sustainable development of the enterprise as well as the society, the environment and the economy, with a view to safeguarding and balancing the interests among its stakeholders including the shareholders, business partners, employees, customers and suppliers. Therefore, COSCO International has set up four principles of corporate social responsibility (CSR), through which the responsibilities an enterprise should fulfil with respect to safety, environmental protection, employees and the community are included into its day-to-day CSR practices, to take the sustainable growth of the employees, the society and the environment as an important consideration in its operation and decision-making and to contribute to a better future and the well-being of the next generation.

SAFETY AND ENVIRONMENTAL PROTECTION

As an enterprise operating various inflammable petrochemical coatings businesses in China Mainland, COSCO International believes that it should not only be accountable to its shareholders but also shoulder the responsibility to ensure the social safety of its employees and the community where it operates. Therefore, safe and stable production has always been the foremost task in the corporate management. The Safety Management Committee of the Company, with the mission of "Safety First, Prevention Top Priority and Integrated Management", performs unified guidance, inspection, assessment, supervision, education and promotion of safe production of its subsidiaries in accordance with the Safety Act of the People's Republic of China and the relevant safety management regulations of the HKSAR government. Through the comprehensive regulation and management of the safety management work of each coating company, employees of all levels gain heightened awareness in production safety. Hence a normalised and standardised management system of Health, Safety and Environment (HSE) and a corporate culture can be established.

Establishment of a standardised HSE management system

In 2010, the Company actively promoted the establishment of a normalised and standardised safety management system. During the year, three coating manufacturing enterprises of COSCO International applied for in turn and successfully obtained Quality Management System Certification (ISO9001), Occupational Health and Safety Assessment Series Certification (OHSAS18001) and Environmental Management System Certification (ISO14001) formulated by the International Organisation for Standardisation (ISO). Each of the coating companies was so comprehensively regulated in terms of product quality management, production environment and production procedure through planning, control, monitoring, remedial measures, auditing and evaluation activities so as to ensure all of them meet the requirements in relation to occupational health, safety and environmental protection formulated by the international professional organisation, which gave COSCO International a strong support for its establishment of a long-term effective safety management mechanism, and fully realised the Group's commitments to its customers, employees and the environment.

Absolute Safety with Three Zeros

With the global economy stepping into recovery, four coating manufacturing subsidiary companies of COSCO International, on the one hand took advantage of the pickup of demand in the coating market and strived to expand their businesses; on the other hand, drew up a yearly work plan to ensure safe and stable production as a whole. They explicitly set "Absolute Safety with Three Zeros" as the general objective of the safe production management in 2010. "Absolute Safety" referred to an overall production environment be ensured safe and "Three Zeros" referred to zero number of reports in accident, injury and pollution. To achieve the above two objectives, the Group implemented a three-pronged approach - supervision and inspection, training and education, and emergency drills. During the year, the Group continuously adhered to its working principle of "Constant Improvement with Ever Higher Betterment" and a corporate safety risk identification system commenced full operation to check and rectify hidden hazards of different seasons and in different workplaces. Through regular and irregular safety inspections of each operating unit to track, follow up and rectify the hidden hazards, the Group forestalled them at an early stage. In 2010, the Safety Management Committee conducted a total of 19 (2009: 11) on-site safety inspections in the four coating manufacturing enterprises in China Mainland. The rectification ratio of hidden safety hazards tracked in the four coating manufacturing enterprises amounted to 99.9% throughout the year. In 2010, the coating manufacturing subsidiary companies of the Group had no significant accident record of production safety and information security.

Building up a corporate culture of health and safety

For training and education, the Group incorporated teachings into diversified promotional and educational activities such as contest, training, testing, seminar, speech and article writing, etc., which heightened the awareness of all employees towards safety, occupational health and environmental protection, thereby cultivating a corporate culture where occupational health and safety awareness were emphasised. During the year, the number of attendance of various training and education programs amounted to 1,500. In addition, the Group placed great emphasis on employees' capabilities to cope with emergencies. Therefore, not only did the number of unannounced emergency drills increase, but also did the examination and upgrade of the contingency equipment. Hence, the employees' skills and capabilities in operating the contingency equipment and following the related procedures during emergency were enhanced. During the year, the Group held 27 (2009: 26) emergency drills with 1,322 (2009: 1,509) attendances.

In order to further strengthen the awareness of the employees in Hong Kong of fire safety in the office, the Company joined hands with Hong Kong Fire Services Department to arrange approximately 40 employees in Hong Kong to participate in a training program named Fire Safety Ambassador Scheme organised by Hong Kong Fire Services Department. Through the basic fire safety training and emergency drills, the employees' awareness towards fire safety and capabilities to deal with an emergency were enhanced. All of the participants successfully passed the examination of the Fire Safety Ambassador Scheme, and were officially awarded by Hong Kong Fire Services Department as a member of the Fire Safety Ambassador Scheme. Moreover, learning the lesson of the fatal fire incident on 15th November 2010 in Shanghai, the Group strengthened the fire emergency drills and conducted more fire alarm practices especially in its subsidiary companies in Hong Kong and the four coating companies in China Mainland.

Advocating green shipping

With the problem of global climate change sharply aggravated, the development of a low-carbon economy has become a major solution for the countries all over the world when they are in the face of energy conservation, and to pursue sustainable economic growth. Shipping traditionally is the transportation means that can save most energy, but its carbon emission accounts for approximately 3% of the total volume of carbon emission in the world given its large transportation volume. As a result, green shipping has been heightened in the sustainable development of the shipping industry and the ship building industry in recent years. Meanwhile, some international organisations and countries are deliberating on the proposal that a target of emission reduction should be set up by the shipping industry; and they have reinforced the regulation of greenhouse gas emission from shipping related products and established new standards for environmental protection.

As a shipping services provider which mainly serves vessels, the Group actively advocates green shipping. Jotun COSCO, a jointly controlled entity of the Company, has been endeavoured to promote its marine coatings known as the Sea Quantum series of anti-fouling coatings, which can avoid an increase in fuel consumption by lessening the roughness of the vessel body. They not only accelerates the speed and increases the energy saving of vessels as well as minimise the fuel cost of vessels, but also reduces pollution to the ocean and protects aquatic habitat. During the year, Jotun COSCO continued to actively hold technology seminars for ship builders, shipowners, vessel classification societies and design and research institutions to promote the advanced environmental friendly marine technologies and their concepts to the stakeholders and the related industry players. It also strengthened its marketing and promotion by advertisement and sponsoring anti-fouling coatings seminars organised by the industry institutions. As a result, the market and the customers better recognised and understood the advanced technology of the products of the Group, thus enhancing the corporate image of the Group in promoting green shipping, energy conservation and emission reduction, and increasing the brand advantage and reputation of the Group.

During the year, the four coating subsidiaries of the Group also continued to strictly require their suppliers to hold recognised PRC business licenses in respect of safety and green production, and their transportation contractors to hold recognised PRC qualifications for hazardous chemicals transportation. The Group also complied with the requirements of the municipal environmental protection bureaus to employ locally qualified recyclers to provide disposal services on waste materials, with a view to minimising potential pollution to the environment during the production process.

In 2010, the Group had no significant incident record of environmental pollution.

Initiating low-carbon office

In 2010, with a view to continuously fulfilling its work objective of lean management and proposing all the staff to uphold the virtue of thrift, the Group organised an environmental protection campaign of "Low-carbon Office Starts from Me" in Hong Kong subsidiaries throughout the year. Through the cooperation with various environmental protection organisations, the Group enlightened its employees about living a low carbon life. Meanwhile, it also encouraged them to practice what the Company had preached and joined various carbon reduction activities and conservation activities to contribute to global climate improvement and the sustainable development of their community and the Company. The activities included:

- **Learning Nature Conservation** – The Group joined the WWF-Hong Kong as its corporate member. By participating in a series of workshops relevant to low carbon and environmental protection held by WWF-Hong Kong and organising some visits to educate the staff in knowing marine life and Mai Po Nature Reserve, so as to enhance the staff's awareness on the importance of environmental protection and foster their sense of saving energy and reducing carbon emission.

- **Power Smart Contest** – The Group participated in the Power Smart Contest 2010 held by Friends of the Earth (HK) to encourage the staff to reduce carbon footprints in the office, including "Computer - Set the power mode properly", "Lights - Use electricity efficiently in the office", "Air-conditioner - Adjust indoor temperature appropriately", "Electrical Appliance - Switch on the power-saving mode" and "Paper - Set the printing function skilfully" and encourage the staff to gradually change their habits in their personal and working life to reduce energy consumption and carbon emission at the office. The programme received full support from the staff. Through the concerted efforts of all levels of the Company, COSCO International successfully saved its electricity consumption by 2% during the contest period as compared to 2009.

- **Boost to Recycling** – The Company again cooperated with Christian Action for the second consecutive year, a charitable organisation, to organise a "Green Collection Day" programme in the office to encourage the staff to donate recycled items such as electrical appliances, toys and clothes for the people in need, thereby enhancing the virtue of waste reduction and recycling among the staff. During the year, a total of 139 kilograms of clothes, 13 pieces of appliance and 4 kilograms of toys was donated. Some donated items were sent to those new arrival families, ethnic minorities, and the orphans and disabled children in Qinghai province, China, while some were sold for charity to finance various charitable services of Christian Action. Moreover, the Group cooperated with Caritas-HK Computer Workshop to help the socially vulnerable groups. During the year, 25 sets of second-hand computer from the computer recycling programme in its Hong Kong office were donated to help the families in need.

- **Promoting Carbon Footprint Reduction** – The Company continued to encourage its staff to participate in a fund-raising activity, "the Community Chest Green Day", organised by the Community Chest of Hong Kong. The activity urged the staff to reduce their carbon footprints by using environmentally friendly public transportation more frequently. With a view to encouraging and supporting the staff to participate in donation activities, COSCO International adhered to its co-donation mechanism to get more members of the staff to participate by subsidising the donation of the staff in the ratio of 1 to 1, i.e. HK$1 to HK$1. The raised funds were used to foster various service programmes for children welfare, healthcare, and community development.

CARING FOR THE EMPLOYEES

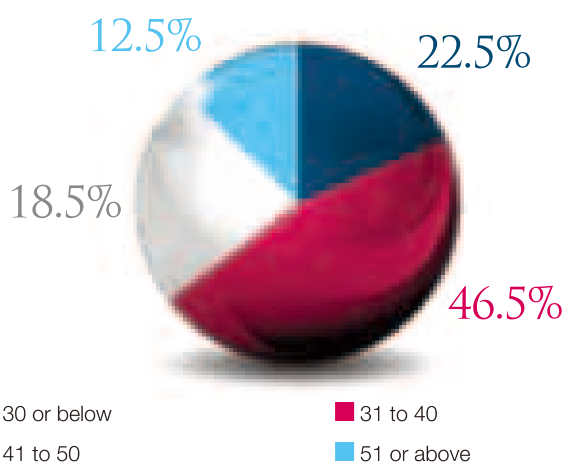
Viewing employees as important assets

COSCO International always believes that quality talents are important assets of an enterprise and, at the same time, the cornerstone for sustaining corporate development. Each year, through enhancing the mechanism on management of compensation packages, performance appraisals as well as incentives and restraints, the Group has been able to attract and retain quality talents; and by providing various advancement opportunities, the Group has succeeded in stimulating working motivation and creativity in its senior management and employees. These help steer the Company towards new heights and achieve more important milestones. As at 31st December 2010, the Company and its subsidiaries had a total of 702 staff (2009: 646), of which 111 (2009: 109) were based in Hong Kong, 561[Note] (2009: 537) in China Mainland and 30 (2009: nil) in overseas companies.

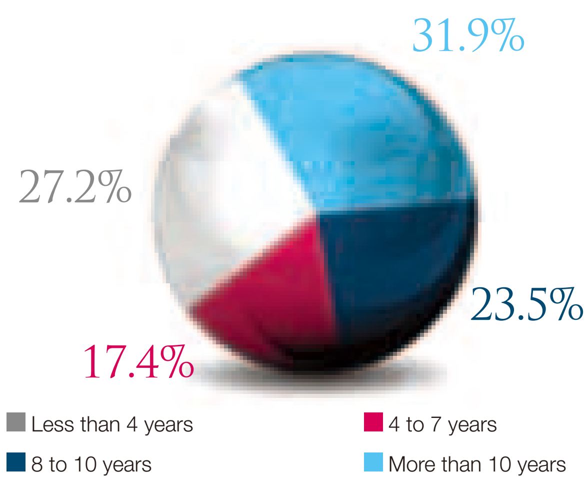
Note: Employees of the Group in China Mainland do not include the employees of jointly controlled entities and associated companies.

EMPLOYEES PARTICULARS IN 2010

By age



By years of employment



The Company's management believes that if the company is to expand and consolidate its position, it has to recruit professionals with different expertise. As such, COSCO International provided a comprehensive and competitive remuneration and benefits system, which was complemented with sound training programmes to attract and retain the talents, highlighting the "employee-oriented" management philosophy of the Group. COSCO International followed the principle of "performance-based remuneration", by encouraging and rewarding the employees to contribute their efforts to the Company with bonus based on their duties and contribution.

Training and team building

The management of COSCO International places strong emphasis on the career development of individual employees. Employees are encouraged to keep abreast of the changing world and pursue continuing education, so as to cope with the rapidly changing society and meet the evolving corporate development needs. The Group makes a review on its human resources training system each year, which sets up annual training objectives and plans, designs various types of training programs and encourages and subsidises its employees to participate in individual continuing education programs which are related to their job duties, with a view to strengthening the professional career training of its staff teams, promoting professional expertise of management teams and stimulating the potential abilities of employees. In 2010, training courses organised by the Company and courses recommended to

employees included relevant business and skills training, taxation, management, financial auditing, occupational safety and information security, etc. During the year, training programmes attended by employees of the Group relating to their professional skills or businesses recorded 236 attendances. The Company also organised several working seminars and meetings on business development, thus increasing the opportunities for the senior management and professionals from different regions to exchange and explore issues through active discussion of and expressing their views by the participants, thereby achieving a better effect for exchange and learning from each other during training. In the future, the Company will continue to step up talent training efforts and provide more advancement opportunities through systematic training management to motivate each employee to grow together with COSCO International.

The management of the Company values mutual communication between the management and employees; therefore, they regularly convey messages on corporate development strategies and work objectives through various channels, such as weekly or monthly meetings and regular meal gatherings. In addition, the Company has set up an internal information management system, which acts as a platform for the management and all staff to share information on operation and management as well as corporate culture, etc., and has become an effective tool for information sharing and real-time opinion exchange. Meanwhile, the Company's management endeavoured to understand the staff's needs and collect their opinions on the Company through, among other things, non-scheduled views exchange meetings, surveys and corporate activities; by reflecting on these opinions, the Company may improve its operations and accelerate the overall development progress of the Company.

Cultivation of the culture of integrity

As a socially responsible company, the Group upholds the principles of fairness, righteousness, and openness, and safeguards and balances the interests of the stakeholders, including suppliers, contractors and customers, in an honest, clean and trustworthy manner. In 2010, the Group held occupational ethics trainings in its key subsidiaries with an aim to help the staff foster their occupational ethics in conformity with the corporate culture. Meanwhile, the Company continued to review the implementation status of the Staff Code of Conduct ("the Code") through a comprehensive self-inspection process, in order to ensure that the contents of the Code had been applied throughout the actual operations and management practices of the Group.

Striking a balance between work and family life

The management of the Company understands that each employee spends at least one-third of his/her day on the job every day. Therefore, the management are concerned about the physical and mental health of the employees, as well as whether the employees can strike a balance between work and livelihood. According to labour legislations of different regions, the Group had the leave option in place for which its employees should have had, such as paid wedding leaves of 7 days and paid funeral leaves of 6 days for its Hong Kong employees, and also arranged a free annual medical check-up for its Hong Kong employees, and have an annual review on the medical insurance coverage for its employees. Meanwhile, the Group organised diversified activities, including annual dinner, staff sports day, staff travel, eco-tours and recreational ball games, as well as exchange and learning tours to China Mainland. These activities not only fortified employees' sense of belongings and corporate cohesion, but also enabled the participation of both employees and their family members, which were conducive to employees' physical and mental health and helped them strike a balance between their work and family lives.

CARING FOR THE COMMUNITY

As a listed company in Hong Kong, COSCO International believes that when it enthusiastically enhances its profitability and expands in operational scale, it should also pay closer attention to promoting the well-being of the community and the country where it operates. Thus, under the guidance of "giving back to the community with what they get from the community", the Group not only has endeavoured to fulfil its obligations as a corporate citizen and proactively given back to the society, but also has motivated its staff to participate in various social charitable activities, so that it can contribute to the country and the community, and provide assistance to the people in need.

Support to children education in mountainous areas

In the past three years, COSCO International had been supporting Sowers Action, a Hong Kong non-profitable charitable organisation that helped the children get access to education. The Group is deeply convinced that children are the future pillars of the society and knowledge is power; only when children are educated well, can their living be improved, the society be changed and the country thrive. Therefore, in the past consecutive three years, the Group sponsored the annual fund-raising activity "Sowers Action Challenging 12 Hours Charity Marathon", and a total of approximately HK$470,000 was donated to Sowers Action as financial support to its fund-raising activities and to the students who lived in mountainous areas such as Yunnan province, Gansu province and Sichuan province of China Mainland to support their living and learning expenses and help them accomplish their education. More than 200 students had benefited in the past three years. Moreover, the Company had sponsored its staff to join the charitable activity of "Sowers Action Challenging 12 Hours Charity Marathon", and also sent volunteers to assist the activity. About 68 attendances were recorded during the past three years, which highlighted the corporate citizenship of the Group and its staff's enthusiasm in caring for the community.

In 2010, by the concerted efforts of its management and all employees, COSCO International was awarded Caring Company Logo by the Hong Kong Council of Social Service for the consecutive third year, in recognition of its efforts and contributions made in terms of "Caring for the Employees", "Caring for the Community" and "Caring for the Environment". Going forward, the Company will continue to actively perform its corporate social responsibilities, act accountable to its shareholders and fulfil its obligations to all stakeholders. It will also keep supporting the low carbon living manner to cope with the challenge of climate change. Meanwhile, by establishing partnership with various social service organisations, the Company will encourage its employees to participate in more charitable activities and contribute their efforts to building a sustainable living society.

商界展關懷
caringcompany 2008-11
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

TO THE SHAREHOLDERS OF COSCO INTERNATIONAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of COSCO International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 110 to 197, which comprise the consolidated and company balance sheets as at 31st December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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, in accordance with Section 90 of the Companies Act 1981 of Bermuda 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 judgement, 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 31st 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, 24th March 2011

CONSOLIDATED BALANCE SHEET

As at 31st December 2010

	Note	2010 HK$'000	As restated 2009 HK$'000
ASSETS			
Non-current assets			
Intangible assets	6	91,733	91,340
Property, plant and equipment	7	159,082	130,454
Prepaid premium for land leases	8	7,478	7,687
Investment properties	9	32,543	27,164
Jointly controlled entities	11	320,401	234,062
Associates	12	57,689	4,722,687
Available-for-sale financial assets	14	138,344	104,084
Deferred income tax assets	15(a)	59,710	37,426
		866,980	5,354,904
Current assets			
Completed properties held for sale	16	177	342
Inventories	17	454,367	342,079
Trade and other receivables	18	1,574,998	528,788
Financial assets at fair value through profit or loss	19	554	678
Current income tax recoverable		803	2,888
Restricted bank deposits	20	27,809	7,104
Deposits and cash and cash equivalents	20	6,439,721	1,265,557
		8,498,429	2,147,436
Asset held for sale	21	–	7,532
		8,498,429	2,154,968
Total assets		9,365,409	7,509,872
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	22	151,107	151,070
Reserves	23	6,574,714	6,136,891
Proposed dividends	23	574,206	126,899
		7,300,027	6,414,860
Non-controlling interests		230,201	200,712
Total equity		7,530,228	6,615,572
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	15(b)	13,216	8,636
Current liabilities			
Trade and other payables	24	1,574,823	846,077
Current income tax liabilities		39,843	27,862
Short-term borrowings	25	207,299	11,725
		1,821,965	885,664
Total liabilities		1,835,181	894,300
Total equity and liabilities		9,365,409	7,509,872
Net current assets		6,676,464	1,269,304
Total assets less current liabilities		7,543,444	6,624,208

Wang Xiaodong
Managing Director

Lin Wenjin
Deputy Managing Director

BALANCE SHEET

As at 31st December 2010

	Note	2010 HK$'000	2009 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	1,478	1,950
Subsidiaries	10(a)	161,765	161,765
Jointly controlled entity	11	143,688	42,808
Amount due from a subsidiary	10(b)	40,000	–
		346,931	206,523
Current assets			
Amounts due from subsidiaries	10(b)	600,073	1,463,030
Other receivables	18	1,432	1,289
Deposits and cash and cash equivalents	20	5,594,171	433,265
		6,195,676	1,897,584
Total assets		6,542,607	2,104,107
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	22	151,107	151,070
Reserves	23	1,164,641	1,706,682
Proposed dividends	23	574,206	126,899
Total equity		1,889,954	1,984,651
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries	10(b)	4,641,810	110,035
Other payables	24	10,843	9,421
Total liabilities		4,652,653	119,456
Total equity and liabilities		6,542,607	2,104,107
Net current assets		1,543,023	1,778,128
Total assets less current liabilities		1,889,954	1,984,651

WANG Xiaodong
Managing Director

LIN Wenjin
Deputy Managing Director

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2010

	Note	2010 HK$'000	2009 HK$'000
Revenue	5	8,666,901	1,630,055
Cost of sales	28	(7,951,725)	(1,207,071)
Gross profit		715,176	422,984
Other income	27	35,994	65,787
Selling, administrative and general expenses	28	(451,910)	(301,596)
Other expenses	28	(5,291)	(344)
Operating profit		293,969	186,831
Finance income	31	10,332	10,716
Finance costs	31	(9,205)	(8,070)
Finance income – net	31	1,127	2,646
Share of results of jointly controlled entities	11	79,725	104,025
Share of results of associates	12	438,995	366,194
Net (loss)/gain on deemed disposal of partial interest in an associate	12(c)	(768)	245,287
Gain on disposal of an associate	12(d)	545,704	–
Profit before income tax		1,358,752	904,983
Income tax expense	32	(65,793)	(58,756)
Profit for the year		1,292,959	846,227
Profit attributable to:			
Equity holders of the Company	33	1,268,600	843,675
Non-controlling interests		24,359	2,552
		1,292,959	846,227
Earnings per share attributable to the equity holders of the Company during the year			
– basic, HK cents	34(a)	83.97	56.25
– diluted, HK cents	34(b)	82.51	55.59
		HK$'000	HK$'000
Dividends	35	604,421	142,006

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2010

	2010 HK$'000	2009 HK$'000
Profit for the year	1,292,959	846,227
Other comprehensive income		
Exchange translation differences	177,654	6,260
Reserve realised in consolidated income statement upon dissolution of a subsidiary	–	(33,721)
Reserves realised in consolidated income statement upon disposal of an associate	(425,788)	–
Share of exchange differences of jointly controlled entities and associates	3,555	116
Share of fair value losses on available-for-sale financial assets of an associate	(7,601)	(2,637)
Fair value gains on available-for-sale financial assets	34,260	65,581
Other comprehensive (loss)/income for the year	(217,920)	35,599
Total comprehensive income for the year	1,075,039	881,826
Total comprehensive income attributable to:		
Equity holders of the Company	1,043,743	878,948
Non-controlling interests	31,296	2,878
	1,075,039	881,826

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2010

	Note	Attributable to equity holders of the Company				Non-controlling interests	Total equity
		Share capital	Other reserves	Retained earnings	Total		
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1st January 2010		151,070	1,442,493	4,821,297	6,414,860	200,712	6,615,572
Profit for the year		–	–	1,268,600	1,268,600	24,359	1,292,959
Other comprehensive income							
Exchange differences on translation of:							
– subsidiaries	23	–	20,121	–	20,121	–	20,121
– jointly controlled entities	23	–	675	–	675	–	675
– associates	23	–	149,921	–	149,921	–	149,921
– non-controlling interests		–	–	–	–	6,937	6,937
Share of exchange differences of jointly controlled entities and associates	23	–	3,555	–	3,555	–	3,555
Share of fair value losses on available-for-sale financial assets of an associate	23	–	(7,601)	–	(7,601)	–	(7,601)
Reserves realised in consolidated income statement upon disposal of an associate	23	–	(425,788)	–	(425,788)	–	(425,788)
Fair value gains on available-for-sale financial assets	23	–	34,260	–	34,260	–	34,260
Total comprehensive income for the year ended 31st December 2010		–	(224,857)	1,268,600	1,043,743	31,296	1,075,039
Transactions with owners							
Transfer of reserves	23	–	12,232	(12,232)	–	–	–
Reserves realised in retained earnings upon disposal of an associate	23	–	(97,388)	97,388	–	–	–
Shares issued upon exercise of share options	22, 23	37	473	–	510	–	510
Share of employee share option benefits of an associate	23	–	22,241	–	22,241	–	22,241
Share of other reserves of an associate	23	–	(29,882)	–	(29,882)	–	(29,882)
Employee share option benefits	23	–	5,668	–	5,668	–	5,668
Dividends paid	23	–	–	(157,113)	(157,113)	(1,807)	(158,920)
Total transactions with owners		37	(86,656)	(71,957)	(158,576)	(1,807)	(160,383)
Balance at 31st December 2010		151,107	1,130,980	6,017,940	7,300,027	230,201	7,530,228

	Note	Attributable to equity holders of the Company Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1st January 2009		148,967	1,283,966	4,112,762	5,545,695	241,373	5,787,068
Profit for the year		–	–	843,675	843,675	2,552	846,227
Other comprehensive income							
Exchange differences on translation of:							
– subsidiaries	23	–	78	–	78	–	78
– jointly controlled entities	23	–	28	–	28	–	28
– associates	23	–	5,828	–	5,828	–	5,828
– non-controlling interests		–	–	–	–	326	326
Share of exchange differences of jointly controlled entities and associates	23	–	116	–	116	–	116
Share of fair value losses on available-for-sale financial assets of an associate	23	–	(2,637)	–	(2,637)	–	(2,637)
Reserve realised in consolidated income statement upon dissolution of a subsidiary	23	–	(33,721)	–	(33,721)	–	(33,721)
Fair value gains on available-for-sale financial assets	23	–	65,581	–	65,581	–	65,581
Total comprehensive income for the year ended 31st December 2009		–	35,273	843,675	878,948	2,878	881,826
Transactions with owners							
Transfer of reserves	23	–	33,996	(33,996)	–	–	–
Reserve realised in retained earnings upon dissolution of a subsidiary	23	–	(9,302)	9,302	–	–	–
Shares issued in respect of scrip dividend	22, 23	2,088	66,757	(68,845)	–	–	–
Shares issued upon exercise of share options	22, 23	15	287	–	302	–	302
Share issue expenses	23	–	(80)	–	(80)	–	(80)
Repayment of capital to non-controlling interests of a subsidiary		–	–	–	–	(41,516)	(41,516)
Share of employee share option benefits of an associate	23	–	18,091	–	18,091	–	18,091
Employee share option benefits	23	–	13,505	–	13,505	–	13,505
Dividends paid	23	–	–	(41,601)	(41,601)	(2,023)	(43,624)
Total transactions with owners		2,103	123,254	(135,140)	(9,783)	(43,539)	(53,322)
Balance at 31st December 2009		151,070	1,442,493	4,821,297	6,414,860	200,712	6,615,572

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December 2010

	Note	2010 HK$'000	2009 HK$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	36	(127,380)	382,952
Income tax paid		(69,971)	(47,508)
Net cash (used in)/generated from operating activities		(197,351)	335,444
Cash flows from investing activities			
Increase in cash investments with maturity over three months		(66,892)	(6,050)
(Increase)/decrease in restricted bank deposits		(20,545)	111,960
Loans repaid by a jointly controlled entity		–	50,376
Interest received		10,332	10,716
Dividends received from investments		1,991	3,288
Dividends received from jointly controlled entities		1,500	1,205
Dividends received from associates		95,642	50,689
Net proceeds from sale of property, plant and equipment		523	313
Purchase of property, plant and equipment		(39,428)	(17,104)
Settlement of amounts due to a jointly controlled entity of COSCO		–	(175,018)
Acquisition of interests in associates		–	(82,683)
Net proceeds from disposal of an associate		5,258,294	–
Net proceeds from disposal of asset held for sale		12,930	–
Net cash generated from acquisition of a subsidiary	38	7,312	–
Net cash generated from/(used in) investing activities		5,261,659	(52,308)
Cash flows from financing activities			
Drawdown of bank loans		207,299	11,725
Repayment of bank loans		(11,752)	(317,433)
Repayment of capital to non-controlling interests		–	(41,516)
Shares issued upon exercise of share options	22(e)	510	302
Share issue expenses		–	(80)
Finance costs paid		(9,205)	(8,070)
Dividends paid to the Company's equity holders		(157,113)	(41,601)
Dividends paid to non-controlling interests		(1,807)	(2,023)
Net cash generated from/(used in) financing activities		27,932	(398,696)
Net increase/(decrease) in cash and cash equivalents		5,092,240	(115,560)
Cash and cash equivalents at the beginning of the year		1,194,509	1,309,073
Exchange gain on cash and cash equivalents		13,049	996
Cash and cash equivalents at the end of the year	20(f)	6,299,798	1,194,509

1 GENERAL INFORMATION

COSCO International Holdings Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the provision of shipping services, general trading and property investments.

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

The ultimate holding company of the Company is China Ocean Shipping (Group) Company ("COSCO"), a state-owned enterprise established in the People's Republic of China (the "PRC").

These consolidated financial statements have been approved for issue by the board of directors on 24th March 2011.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties, available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(i) Adoption of revised standards, interpretation and amendments to published standards

In 2010, the Group has adopted the following revised standards, interpretation and amendments to published standards issued by HKICPA, which are relevant to its operations:

		Effective for accounting periods beginning on or after
HKAS 17 (Amendment)	Leases	1st January 2010
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1st July 2009
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Eligible hedged items	1st July 2009
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions	1st January 2010
HKFRS 3 (Revised)	Business Combinations	1st July 2009
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners	1st July 2009
HKFRSs (Amendment)	Improvements to HKFRSs*	1st July 2009

* The Group adopted the amendments set out in Improvements to HKFRSs published by the HKICPA in October 2008 and May 2009, which are relevant to its operations.

Except for the adoption of HKAS 17 (Amendment), HKFRS 3 (Revised) and HKAS 27 (Revised) as described below, the adoption of other HKFRSs as mentioned above did not result in any substantial changes to the Group's accounting policies and had no material financial impact on the consolidated financial statements.

(1) HKAS 17 (Amendment) deletes 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 lease 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 'Prepaid premium for land leases', and amortised over the lease term. HKAS 17 (Amendment) has been applied retrospectively for annual periods beginning 1st January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1st January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease. Since the property interest is held for own use, that land interest classified as finance lease is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the shorter of the useful life of the asset and the lease term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(i) Adoption of revised standards, interpretation and amendments to published standards (Continued)

(1) (Continued)

The changes in the accounting policy in respect of the adoption of HKAS 17 (Amendment) had been applied retrospectively and the effect is as below:

	As at 31st December 2010 HK$'000	As at 31st December 2009 HK$'000	As at 1st January 2009 HK$'000
Consolidated balance sheet			
Increase in property, plant and equipment	4,833	4,951	5,069
Decrease in prepaid premium for land leases	4,833	4,951	5,069

	Year ended 31st December		
	2010 HK$'000	2009 HK$'000	2008 HK$'000
Consolidated income statement			
Increase in depreciation and amortisation of property, plant and equipment	118	118	118
Decrease in amortisation of prepaid premium for land leases	118	118	118

(2) HKFRS 3 (Revised) continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the 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. All acquisition-related costs should be expensed.

(3) As the Group has adopted HKFRS 3 (Revised), it is required to adopt HKAS 27 (Revised) at the same time. HKAS 27 (Revised) contains consequential amendments to HKAS 28 'Investments in Associates' and HKAS 31 'Interests in Joint Ventures'. HKAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost, any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(i) Adoption of revised standards, interpretation and amendments to published standards (Continued)

(3) (Continued)

Previously transactions with non-controlling interests were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in consolidated income statement and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to consolidated income statement or directly to retained earnings.

Previously, when the Group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date when control or significant influence was ceased became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entities or financial assets.

The changes in the accounting policy in respect of the adoption of HKAS 27 (Revised) and HKFRS 3 (Revised) had been applied prospectively to the relevant transactions during the year ended 31st December 2010. There was no significant impact on the consolidated financial statements.

(ii) New standard and amendments to published standards that are not yet effective

The following new standard and amendments to existing standards have been published by the HKICPA and are relevant to the Group's operations. They are not yet effective for accounting periods beginning on 1st January 2010 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
HKFRS 7 (Amendment)	Disclosure – Transfer of Financial Assets	1st July 2011
HKFRS 9	Financial Instruments	1st January 2013
HKFRS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets	1st January 2012
HKFRSs (Amendment)	Improvements to HKFRSs[#]	1st July 2010

[#] In May 2010, the HKICPA has published Improvements to HKFRSs which sets out amendments to a number of HKFRSs which are effective for annual periods beginning on or after 1st July 2010 or 1st January 2011.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation

(i) Subsidiaries

Subsidiaries are all 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. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. 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 as negative goodwill directly in the consolidated income statement.

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investments. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(iii) Change in ownership interests

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, joint venture 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.

(c) Jointly controlled entities

Jointly controlled entities are entities which operate under contractual arrangements whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Investments in jointly controlled entities are accounted for by using the equity method of accounting and are initially recognised at cost. The Group's investment in jointly controlled entities includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of jointly controlled entities' 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 jointly controlled entities equals or exceeds its interest in the jointly controlled entities, 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 entities.

Unrealised gains on transactions between the Group and jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, investment in jointly controlled entities is stated at cost less provision for impairment losses, if any. The results of jointly controlled entities are accounted for by the Company on the basis of dividend received and receivable.

Dilution gains and losses in jointly controlled entities are recognised in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Associates

Associates are 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 associates are accounted for by using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of 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 associates equals or exceeds its interest in the associates, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associates.

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses in associates are recognised in the consolidated income statement.

(e) Intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the subsidiaries, associates and jointly controlled entities at the date of acquisition.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates/jointly controlled entities is included in investments in associates/jointly controlled entities and is tested for impairment as part of the overall balance whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Separately recognised 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 goodwill arose and identified according to operating segment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Properties

(i) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property. Investment property is measured initially at cost, including related transaction cost. After initial recognition, investment properties are carried at fair value.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers.

Subsequent expenditure is included in the asset's carrying amount 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 repair and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the consolidated income statement.

If an owner-occupied property becomes an investment property that will be carried at fair value, the Group depreciates the property and recognises any impairment losses that have occurred up to the date of change in use. The Group treats any difference at that date between the carrying amount of the property and its fair value in the same way as a revaluation of property, plant and equipment.

Any resulting decrease in the carrying amount of the property is recognised in the consolidated income statement. However, to the extent that an amount is included in property revaluation reserve for that property, the decrease is charged against that revaluation reserve.

Any resulting increase in the carrying amount is recognised in the consolidated income statement to the extent that the increase reverses a previous impairment loss for that property. The amount recognised in the consolidated income statement does not exceed the amount needed to restore the carrying amount to the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised. Any remaining part of the increase is credited directly to equity in property revaluation reserve. On subsequent disposal of the investment property, the revaluation reserve may be transferred to retained earnings without going through the consolidated income statement.

(f) Properties (Continued)

(ii) Completed properties held for sale

Completed properties held for sale are included as current assets and stated at the lower of cost and net realisable value. Cost comprises prepayments for leasehold land and land use rights, development expenditure and borrowing costs capitalised during the course of development. Net realisable value is determined by reference to estimated sales proceeds of the properties sold in the ordinary course of business less estimated selling expenses.

The accounting policy for recognition of revenue from sale of completed properties is set out in note 2(x)(iii).

(iii) Prepaid premium for land leases

Prepaid premium for land leases are up-front payments to acquire long-term interests in land. The premiums are stated at cost and are amortised on a straight line basis over the lease period to the consolidated income statement.

(g) Property, plant and equipment

Properties comprise factory buildings, freehold land and buildings, and leasehold land classified as finance leases. Property, plant and equipment are stated at historical cost less accumulated depreciation, amortisation and impairment losses. 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 repair and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

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 and depreciation on other assets are calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives as follows:

Leasehold land classified as finance lease	Remaining lease terms
Buildings	30 years or remaining lease terms (whichever is shorter)
Machinery	5 – 10 years
Equipment and motor vehicles	3 – 5 years
Leasehold improvement	3 – 5 years
Furniture and fixtures	3 – 5 years

No depreciation or amortisation is provided for construction in progress and freehold land.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Property, plant and equipment (Continued)

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.

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 in the consolidated income statement.

All direct and indirect costs relating to the construction of property, plant and equipment, including financing costs and foreign exchange differences on the related borrowed funds during the construction period are capitalised as costs of the asset.

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

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 balance sheet 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) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis. Cost of finished goods and work in progress comprises direct materials, direct labour and an appropriate proportion of all production overhead expenditure. It excludes borrowing costs. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses. Cost of inventories includes the transfer from equity of any gains/losses on qualifying cash flow hedges purchases of inventories.

(j) Financial assets

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

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

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and are not intended for trading. They are included in current assets, except for those with maturity greater than 12 months after the balance sheet date in which case they are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'restricted bank deposits' and 'deposits and cash and cash equivalents' in the consolidated balance sheet.

(iii) 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 of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

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 asset. 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 consolidated 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 consolidated 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 consolidated income statement as part of other income when the Group's right to receive payments is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial assets (Continued)

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.

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.

(k) Assets held for sale

Assets are classified as assets 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.

(l) Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment of financial assets (Continued)

(i) Assets carried at amortised cost (Continued)

- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (1) adverse changes in the payment status of borrowers in the portfolio; and
  (2) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(ii) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to (i) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, 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 profit or loss – is removed from equity and recognised in the separate consolidated income statement. Impairment losses recognised in the separate consolidated income statement on equity instruments are not reversed through the separate consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the separate consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) 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 re-measured 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 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 hedging transactions. The Group also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of the hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 26. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

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

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). When the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of inventory sold.

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 consolidated 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 consolidated income statement.

(n) Operating leases

Leases in which a significant portion of the risks and rewards of ownership of assets is retained by the lessors are classified as operating leases. Payment made under operating leases (net of any incentives received from the lessors) is charged to the consolidated income statement on a straight-line basis over the lease term.

(o) 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.

(p) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits with banks and a fellow subsidiary, money market fund investments and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated balance sheet. For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand, money market fund investments, and deposits with maturity less than three months from the date of placement.

(q) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(r) Provisions

Provisions for legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

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)

(s) Contingent liabilities

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 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.

(t) 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.

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, its subsidiaries, associates and jointly controlled entities 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 and 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, for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination and that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and that 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, associates and jointly controlled entities, except where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences 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.

(u) 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 Hong Kong dollars, which is the Company's functional and presentation currency. The directors consider that presentation of the consolidated financial statements in Hong Kong dollars will facilitate analysis of the financial information of the Group.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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 qualified cash flow hedges.

Foreign exchange gains and losses are presented in the consolidated income statement within other income/expenses.

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 security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the 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.

(iii) Group companies

On consolidation, 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:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Foreign currency translation (Continued)

(iii) Group companies (Continued)

- 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
- 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 other comprehensive income. When a foreign operation is partially disposed of or sold, exchange 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 before 1st January 2005 are treated as assets and liabilities of the investor which acquired that foreign entity and expressed in the investor's functional currency. They are reported using the exchange rate at the date of acquisition. For goodwill and fair value adjustments arising on the acquisition of a foreign entity after 1st January 2005, they are treated as assets and liabilities of the foreign entity and translated at closing rate at the date of the balance sheet.

(v) Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated 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 pre-payment 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 end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Employee benefits

(i) Pensions and retirement benefits

Following the adoption of the Mandatory Provident Fund Scheme ("MPF Scheme") in December 2000, all staff of the Group employed in Hong Kong joined the MPF Scheme. Under this scheme, employees and the Group are required to make contributions to the scheme calculated at 5% of the individual employee's monthly basic salaries, subject to a cap of HK$1,000. The Group's contributions to this scheme are expensed as incurred. The assets of the scheme are held separately from those of the Group in independently administered funds.

The Group also contributes to employee pension schemes established by municipal government in respect of certain subsidiaries in the PRC. The municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group. Contributions to these schemes are charged to the consolidated income statement as incurred.

(ii) Share-based compensation

The Group operates a number of equity-settled, share based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Revenue and income recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when 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.

(i) Sale of coatings, marine equipment and spare parts, marine fuel and other products

Revenue from sale of coatings, marine equipment and spare parts, marine fuel, asphalt and other products is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time the goods are delivered to customers according to the sales agreements and titles have passed.

(ii) Commission income

(1) Agency commission income

Commission income from agency services is recognised when the terms of the agency contracts are fulfilled upon provision of services.

(2) Insurance brokerage commission income

Insurance brokerage commission income is recognised when insurance premium becomes due.

(iii) Sale of completed properties held for sale

Revenue from sale of completed properties held for sale is recognised upon signing of sale and purchase contracts, where the risks and rewards of the properties are transferred to the purchasers.

(iv) Rental income

Rental income is recognised on a straight-line basis over the terms of the respective leases.

(v) Dividend income

Dividend income is recognised when the right to receive payment is established.

(vi) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) 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.

(z) Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's equity holders or directors, where appropriate.

(aa) Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

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

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit 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. During the year, the Group had entered into derivative financial instruments to hedge the risk exposures.

Risk management is carried out by the management under policies approved by the board of directors. The management identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board of directors provides written policies covering specific areas, such as foreign currency risk and interest rate risk.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Market risk

(1) Foreign currency risk

The Group operates in Hong Kong, the PRC and overseas and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States ("US") dollars. Foreign exchange risk arises mainly from future commercial transactions, recognised assets and liabilities denominated in US dollars for operations in Hong Kong and the PRC.

Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure by using foreign exchange forward contracts when the need arises. As at 31st December 2010 and 2009, the Group had not entered into significant forward foreign exchange contracts to mitigate the currency exposure.

Foreign currency risk arising from operations in Hong Kong

At 31st December 2010, if Hong Kong dollars had weakened/strengthened by 1% against the US dollars with all other variables held constant, post-tax profit for the year would have been HK$2,539,000 (2009: HK$4,042,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollars-denominated trade and other receivables, deposits and cash and cash equivalents and foreign exchange losses/gains on translation of US dollars-denominated trade and other payables.

Foreign currency risk arising from operations in the PRC

At 31st December 2010, if Renminbi had weakened/strengthened by 5% against the US dollars with all other variables held constant, post-tax profit for the year would have been HK$5,910,000 (2009: HK$568,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of the US dollars-denominated trade and other receivables, deposits and cash and cash equivalents and foreign exchange losses/gains on translation of US dollars-denominated trade and other payables and short-term borrowings.

(2) Interest rate risk

Other than deposits and cash and cash equivalents (collectively the "Interest Bearing Assets"), the Group has no other significant interest bearing assets.

The Group's interest rate risk also arises from borrowings (the "Interest Bearing Liabilities"). Interest Bearing Liabilities are primarily issued at variable rates which therefore expose the Group to cash flow interest rate risk.

With all other variables held constant, if the interest rate had increased/decreased by 50 basis-point, the corresponding increase/decrease in net finance income (representing interest income on the Interest Bearing Assets less interest expenses on Interest Bearing Liabilities) will result in a net increase/decrease in the Group's post-tax profit by HK$30,828,000 (2009: HK$5,748,000).

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(3) Price risk

The Group's fuel oil trading business is conducted on an indent basis where the purchase and selling prices of majority of the transactions are fixed in advance and thus the Group's exposure to fuel oil price risk is not significant. Management manages its exposure by entering into derivative contracts to hedge against the price fluctuation when the need arises. As at 31st December 2010 and 2009, the Group did not have any outstanding derivative contracts to mitigate the fuel oil 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 at fair value through profit or loss, which are required to be stated at their fair values (see fair value estimation below). To manage its price risk arising from equity securities, the Group diversifies its portfolio in accordance with the limits set by the Group.

The Group's equity investments in equity of other entities are publicly traded. The table below summarises the impact of increases/decreases of the market price of the Group's equity investments by 5%:

	Impact on post-tax profit		Impact on investment revaluation reserve	
	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
5% change in market price	28	34	6,829	5,116

(ii) Credit risk

Credit risk mainly arises from trade and other receivables and balances due from group and related companies and deposits with financial institutions. The Group has limited its credit exposure from bank balances and deposits by restricting its selection of financial institutions with acceptable credit rating, as rated by external credit agencies, and a substantial portion of the Group's balances were placed with state-owned and listed banks. Management considers these balances are subject to low credit risk. Customers are assessed and rated based on the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set by management and the utilisation of credit limits is regularly monitored.

(iii) Liquidity risk

The Group adopts prudent liquidity risk management which includes maintaining sufficient bank balances and cash, having available funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

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.

	Less than 1 year HK$'000
Group	
At 31st December 2010	
Trade and other payables	1,493,515
Short-term borrowings	209,216
At 31st December 2009	
Trade and other payables	768,915
Short-term borrowings	11,782
Company	
At 31st December 2010	
Amounts due to subsidiaries	4,641,810
Other payables	10,843
At 31st December 2009	
Amounts due to subsidiaries	110,035
Other payables	9,421

(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 equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders.

3 FINANCIAL RISK MANAGEMENT (Continued)

(b) Capital risk management (Continued)

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the Group's total borrowings divided by total assets. The Group's strategy, which was unchanged from 2009, is to maintain a low gearing ratio. The gearing ratios at 31st December 2010 and 2009 were as follows:

	2010 HK$'000	2009 HK$'000
Total borrowings	207,299	11,725
Total assets	9,365,409	7,509,872
Gearing ratio	2.2%	0.2%

(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 financial assets that are measured at fair value at 31st December 2010 and 2009.

At 31st December 2010	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Available-for-sale financial assets				
– equity securities	136,585	–	1,759	138,344
Financial assets at fair value through profit or loss				
– trading securities	554	–	–	554
Total	137,139	–	1,759	138,898

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

At 31st December 2009	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Available-for-sale financial assets				
– equity securities	102,325	–	1,759	104,084
Financial assets at fair value through profit or loss				
– trading securities	678	–	–	678
Total	103,003	–	1,759	104,762

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 available-for-sale financial assets or trading securities.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Management has taken reference to the net asset value of the investment to determine its valuation.

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 actual results. The estimates, assumptions and judgements in applying the Group's accounting policies 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.

(a) Allowances for bad and doubtful debts

The policy for allowance of bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer.

(b) Allowances for inventory

The management of the Group reviews the ageing analysis at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The management estimates the net realisable value for such finished goods and work in progress based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes allowance for obsolete items.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at 31st December 2010, the carrying amount of goodwill was HK$91,733,000. Details of the recoverable amount calculation are disclosed in note 6.

(d) Fair value estimates on acquisition of subsidiaries

The initial accounting on the acquisition of subsidiaries involves identifying and determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquired entities. The fair values of property, plant and equipment, leasehold land and land use rights and intangible assets are determined with reference to market prices. 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 will impact the carrying amount of these assets and liabilities.

(e) Estimate of fair value of investment properties

In making its judgement, the Group considers information from a variety of sources including:

(i) Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) Recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The Group also assesses the fair value of investment properties based on valuations determined by independent professional qualified valuer.

(f) Determination of fair value of shared-based compensation

The Group uses the Binomial Lattice Valuation Model to determine the fair value of share options granted in the previous years. Under this model, the value of the share options is subject to a number of assumptions such as risk-free interest rate, expected life of the options and expected volatility based on annualised volatility of the closing price of the share. Therefore the value may be subjective and would change should any of the assumptions change.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(g) Income taxes

The Group is subject to income taxes in Hong Kong, the PRC, Singapore and Japan. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(h) Recognition of investment in associate

The Group held less than 20% of the voting power of Sino-Ocean Land Holdings Limited ("SOLHL") since 30th December 2009. The Group follows HKAS 28 'Investments in Associates' to determine whether the Group has significant influence over SOLHL. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the evidence to clearly demonstrate such influence in one or more of the following ways:

(i) representation on the board of directors of SOLHL;
(ii) participation in policy-making processes, including participation in decisions about dividends or other distributions;
(iii) material transactions between the Group and SOLHL;
(iv) interchange of managerial personnel; or
(v) provision of essential technical information.

Significant influence over SOLHL has been clearly demonstrated by the 20% voting power maintained by the Group on the board of directors of SOLHL as at 31st December 2009 and up to the date of disposal. The Group considered its investment in SOLHL as an investment in an associate accordingly and adopted the equity method to account for the Group's share of the net asset value of SOLHL as at 31st December 2009 and of the result of SOLHL for the year ended 31st December 2009 and for the period from 1st January 2010 to the date of disposal in the consolidated financial statements.

5 REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the provision of shipping services, general trading and property investments. Turnover, represented revenue, recognised during the year is as follows:

	2010 HK$'000	2009 HK$'000
Sale of coatings	1,291,817	399,971
Sale of marine equipment and spare parts	597,386	444,334
Commission income from ship trading agency	159,034	151,564
Commission income from insurance brokerage	78,026	67,140
Sale of marine fuel and other products	5,758,556	45,565
Sale of asphalt and other products	780,890	515,340
Sale of properties	130	4,997
Rental income	1,062	1,144
	8,666,901	1,630,055

The management considers the business from a product perspective. From a product perspective, management assesses the performance of coatings, marine equipment and spare parts, ship trading agency, insurance brokerage, marine fuel and other products, general trading and property investments.

The management has identified the following reportable segments on the basis of the Group's internal reports that are regularly reviewed by the management in order to make decisions about resources to be allocated to the segment and assess its performance.

Reportable segments	Business activities
Coatings	production and sale of coatings, and holding of investment in a jointly controlled entity, Jotun COSCO Marine Coatings (HK) Limited
Marine equipment and spare parts	trading of marine equipment and spare parts, and holding of investments in various jointly controlled entities
Ship trading agency	provision of agency services relating to shipbuilding, ship trading and bareboat charter business
Insurance brokerage	provision of insurance brokerage services
Marine fuel and other products	trading of marine fuel and other related products, and holding of investment in an associate, Double Rich Limited
General trading	trading of asphalt and other products, and holding of investments in various jointly controlled entities and associates
Property investments	sale of completed properties held for sale and holding of investment in an associate, SOLHL, which was disposed on 21st December 2010 (note 12(d))

5 REVENUE AND SEGMENT INFORMATION (Continued)

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

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

	Year ended and as at 31st December 2010									
	Shipping services									
	Coatings	Marine equipment and spare parts	Ship trading agency	Insurance brokerage	Marine fuel and other products	Total	General trading	Property investments	All other segments	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Profit and loss items:										
Segment revenue	1,291,817	601,922	159,471	78,260	5,946,866	8,078,336	786,826	130	–	8,865,292
Inter-segment revenue	–	(3,899)	(12)	(234)	(188,310)	(192,455)	(5,936)	–	–	(198,391)
Revenue from external customers	1,291,817	598,023	159,459	78,026	5,758,556	7,885,881	780,890	130	–	8,666,901
Segment operating profit	69,994	43,895	123,879	57,054	30,919	325,741	28,322	(47)	1,991	356,007
Finance income	2,224	641	2,735	510	36	6,146	754	–	–	6,900
Finance costs	(2,389)	(122)	(22)	(125)	(489)	(3,147)	(6,032)	–	–	(9,179)
Share of results of jointly controlled entities	76,552	3,546	–	–	–	80,098	(373)	–	–	79,725
Share of results of associate	–	–	–	–	1,071	1,071	1,404	436,520	–	438,995
Net Loss on deemed disposal of partial interest in an associate	–	–	–	–	–	–	–	(768)	–	(768)
Gain on disposal of an associate	–	–	–	–	–	–	–	545,704	–	545,704
Segment profit before income tax	146,381	47,960	126,592	57,439	31,537	409,909	24,075	981,409	1,991	1,417,384
Income tax expense	(9,141)	(6,558)	(27,283)	(9,202)	(5,120)	(57,304)	(6,280)	–	–	(63,584)
Segment profit after income tax	137,240	41,402	99,309	48,237	26,417	352,605	17,795	981,409	1,991	1,353,800
Balance sheet items:										
Total segment assets	1,690,849	498,927	316,847	140,586	490,347	3,137,556	494,707	–	137,139	3,769,402
Total segment assets include:										
Jointly controlled entities	297,873	15,924	–	–	–	313,797	6,604	–	–	320,401
Associates	–	–	–	–	47,429	47,429	10,260	–	–	57,689
Total segment liabilities	783,319	274,522	120,044	48,714	363,031	1,589,630	313,259	–	–	1,902,889
Other items:										
Depreciation and amortisation, net of amount capitalised	11,392	971	661	473	–	13,497	285	–	–	13,782
Provision for impairment of inventories, net of reversal	3,643	–	–	–	–	3,643	–	–	–	3,643
Provision for impairment of trade receivables, net of reversal	5,975	(5,041)	–	–	–	934	–	–	–	934
Additions to non-current assets (other than available-for-sale financial assets and deferred tax assets)	8,926	29,232	853	284	–	39,295	7	–	–	39,302

5 REVENUE AND SEGMENT INFORMATION (Continued)

	Year ended and as at 31st December 2009									
	Shipping services									
	Coatings HK$'000	Marine equipment and spare parts HK$'000	Ship trading agency HK$'000	Insurance brokerage HK$'000	Marine fuel and other products HK$'000	Total HK$'000	General trading HK$'000	Property investments HK$'000	All other segments HK$'000	Total HK$'000
Profit and loss items:										
Segment revenue	399,971	445,063	152,105	67,384	45,565	1,110,088	515,366	4,997	–	1,630,451
Inter-segment revenue	–	–	(152)	(244)	–	(396)	–	–	–	(396)
Revenue from external customers	399,971	445,063	151,953	67,140	45,565	1,109,692	515,366	4,997	–	1,630,055
Segment operating profit	13,423	32,600	113,153	47,482	145	206,803	3,997	36,106	3,727	250,633
Finance income	1,780	1,088	3,386	398	1	6,653	287	279	–	7,219
Finance costs	(3,577)	(48)	(372)	(221)	(2)	(4,220)	(3,782)	(4)	–	(8,006)
Share of results of jointly controlled entities	101,488	3,499	–	–	–	104,987	(962)	–	–	104,025
Share of results of associates	–	–	–	–	10,522	10,522	1,191	354,481	–	366,194
Net gain on deemed disposal of partial interest in an associate	–	–	–	–	–	–	–	245,287	–	245,287
Segment profit before income tax	113,114	37,139	116,167	47,659	10,666	324,745	731	636,149	3,727	965,352
Income tax expense	(12,141)	(4,928)	(21,638)	(7,413)	(10)	(46,130)	(889)	–	–	(47,019)
Segment profit/(loss) after income tax	100,973	32,211	94,529	40,246	10,656	278,615	(158)	636,149	3,727	918,333
Balance sheet items:										
Total segment assets	1,012,533	365,036	297,164	131,029	169,224	1,974,986	374,647	4,667,717	103,002	7,120,352
Total segment assets include:										
Jointly controlled entities	213,883	13,428	–	–	–	227,311	6,751	–	–	234,062
Associates	–	–	–	–	46,116	46,116	9,196	4,667,375	–	4,722,687
Total segment liabilities	268,036	176,210	132,224	49,042	68,694	694,206	216,292	–	–	910,498
Other items:										
Depreciation and amortisation, net of amount capitalised	9,348	766	705	684	–	11,503	282	–	–	11,785
Exchange reserve gain realised upon dissolution of a subsidiary	–	–	–	–	–	–	–	33,721	–	33,721
Reversal of provision for impairment of inventories, net of provision	8,545	–	–	–	–	8,545	–	–	–	8,545
Reversal of provision for impairment of trade receivables, net of provision	3,603	(855)	–	63	–	2,811	–	–	–	2,811
Additions to non-current assets (other than available-for-sale financial assets and deferred tax assets)	14,854	21	1,819	24	47,349	64,067	125	40,617	–	104,809

5 REVENUE AND SEGMENT INFORMATION (Continued)

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

	2010 HK$'000	2009 HK$'000
Profit before income tax for reportable segments	1,415,393	961,625
Profit before income tax for all other segments	1,991	3,727
Profit before income tax for all segments	1,417,384	965,352
Elimination of inter-segment profit	(72)	(69)
Corporate finance income	3,432	3,497
Corporate finance costs	(26)	(64)
Corporate expenses, net of income	(61,966)	(63,733)
Profit before income tax for the Group	1,358,752	904,983
Income tax expense for all segments	(63,584)	(47,019)
Corporate income tax expense	(2,209)	(11,737)
Profit after income tax for the Group	1,292,959	846,227

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

	2010 HK$'000	2009 HK$'000
Total assets for reportable segments	3,632,263	7,017,350
Total assets for all other segments	137,139	103,002
Total assets for all segments	3,769,402	7,120,352
Corporate assets	5,687,309	483,367
Elimination of inter-segment receivables	(4,009)	(2,047)
Elimination of segment receivables from corporate headquarters	–	(57,472)
Elimination of corporate headquarters' receivables from segments	(87,293)	(34,328)
Total assets for the Group	9,365,409	7,509,872

5 REVENUE AND SEGMENT INFORMATION (Continued)

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

	2010 HK$'000	2009 HK$'000
Total liabilities for reportable segments	1,902,889	910,498
Corporate liabilities	23,594	77,649
Elimination of inter-segment payables	(4,009)	(2,047)
Elimination of corporate headquarters' payables to segments	–	(57,472)
Elimination of segment payables to corporate headquarters	(87,293)	(34,328)
Total liabilities for the Group	1,835,181	894,300

The Company is domiciled in Hong Kong. The Group's revenue from external customers derived from Hong Kong and places other than Hong Kong are HK$642,834,000 (2009: HK$576,702,000) and HK$8,024,067,000 (2009: HK$1,053,353,000) respectively.

The total of non-current assets, other than available-for-sale financial assets and deferred income tax assets, located in Hong Kong and places other than Hong Kong are HK$450,562,000 (2009: HK$5,030,350,000) and HK$218,364,000 (2009: HK$183,044,000) respectively.

6 INTANGIBLE ASSETS

	Group	
	2010 HK$'000	2009 HK$'000
Goodwill		
Cost		
At 1st January	97,324	97,307
Exchange differences	393	17
At 31st December	97,717	97,324
Accumulated impairment		
At 1st January and 31st December	(5,984)	(5,984)
Net book value at 31st December	91,733	91,340

6 INTANGIBLE ASSETS (Continued)

Impairment tests for goodwill

Goodwill is allocated to the Group's cash generating units under shipping services business segment as follows:

	2010 HK$'000	2009 HK$'000
Agency service in respect of shipbuilding, ship trading and bareboat charter business ("Ship trade business")	47,707	47,314
Provision of insurance brokerage services ("Insurance business")	35,046	35,046
Trading of marine equipment and spare parts ("Supply business")	8,980	8,980
	91,733	91,340

The recoverable amounts of the above business units are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

The key assumptions used for value-in-use calculations are as follows:

	Ship trade business	Insurance business	Supply business
Weighted average growth rate	3.0%	3.0%	3.0%
Discount rate	8.9%	8.9%	8.9%

Management determined the budgeted margin based on past performance and its expectation for market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are after-tax and reflect specific risks relating to the relevant segments.

7 PROPERTY, PLANT AND EQUIPMENT

Group

	Properties HK$'000	Machinery, equipment and motor vehicles HK$'000	Leasehold improvement HK$'000	Furniture and fixtures HK$'000	Construction in progress HK$'000	Total HK$'000
At 1st January 2009, as restated						
Cost	103,988	68,192	13,157	26,698	12,434	224,469
Accumulated depreciation, amortisation and impairment	(31,681)	(35,557)	(10,807)	(17,531)	–	(95,576)
Net book amount	72,307	32,635	2,350	9,167	12,434	128,893
Year ended 31st December 2009						
Opening net book amount, as previously reported	67,238	32,635	2,350	9,167	12,434	123,824
Adjustment on adoption of amendment to HKAS 17	5,069	–	–	–	–	5,069
Opening net book amount, as restated	72,307	32,635	2,350	9,167	12,434	128,893
Additions	462	2,860	–	2,521	11,261	17,104
Transfer between categories	34	982	–	19	(1,035)	–
Exchange differences	99	46	–	12	19	176
Depreciation and amortisation (note 28(a))	(3,072)	(7,092)	(811)	(4,369)	–	(15,344)
Disposals	(277)	(95)	–	(3)	–	(375)
Closing net book amount, as restated	69,553	29,336	1,539	7,347	22,679	130,454
At 31st December 2009, as restated						
Cost	104,204	70,096	13,158	27,635	22,679	237,772
Accumulated depreciation, amortisation and impairment	(34,651)	(40,760)	(11,619)	(20,288)	–	(107,318)
Net book amount	69,553	29,336	1,539	7,347	22,679	130,454
Year ended 31st December 2010						
Opening net book amount, as previously reported	64,602	29,336	1,539	7,347	22,679	125,503
Adjustment on adoption of amendment to HKAS 17	4,951	–	–	–	–	4,951
Opening net book amount, as restated	69,553	29,336	1,539	7,347	22,679	130,454
Additions	28,186	4,338	–	2,774	4,130	39,428
Acquisition of a subsidiary (note 38)	–	588	–	–	–	588
Transfer between categories	21,540	4,987	–	998	(27,525)	–
Exchange differences	2,124	976	–	209	758	4,067
Depreciation and amortisation (note 28(a))	(3,214)	(7,003)	(796)	(4,116)	–	(15,129)
Disposals	–	(326)	–	–	–	(326)
Closing net book amount	118,189	32,896	743	7,212	42	159,082
At 31st December 2010						
Cost	157,185	78,736	13,162	30,103	42	279,228
Accumulated depreciation, amortisation and impairment	(38,996)	(45,840)	(12,419)	(22,891)	–	(120,146)
Net book amount	118,189	32,896	743	7,212	42	159,082

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Machinery, equipment and motor vehicles HK$'000	Leasehold improvement HK$'000	Furniture and fixtures HK$'000	Total HK$'000
At 1st January 2009				
Cost	4,133	8,909	803	13,845
Accumulated depreciation and impairment	(2,650)	(8,179)	(455)	(11,284)
Net book amount	1,483	730	348	2,561
Year ended 31st December 2009				
Opening net book amount	1,483	730	348	2,561
Additions	191	–	70	261
Depreciation	(424)	(313)	(135)	(872)
Closing net book amount	1,250	417	283	1,950
At 31st December 2009				
Cost	4,324	8,909	873	14,106
Accumulated depreciation and impairment	(3,074)	(8,492)	(590)	(12,156)
Net book amount	1,250	417	283	1,950
Year ended 31st December 2010				
Opening net book amount	1,250	417	283	1,950
Additions	705	–	9	714
Depreciation	(456)	(313)	(149)	(918)
Disposals	(268)	–	–	(268)
Closing net book amount	1,231	104	143	1,478
At 31st December 2010				
Cost	3,858	8,909	801	13,568
Accumulated depreciation and impairment	(2,627)	(8,805)	(658)	(12,090)
Net book amount	1,231	104	143	1,478

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group's interests in properties at their net book value are analysed as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Freehold properties held outside Hong Kong	27,992	–
Leasehold properties held in Hong Kong		
– on leases of over 50 years	3,791	3,825
– on leases of between 10 and 50 years	2,076	2,214
Leasehold properties held outside Hong Kong		
– on leases of between 10 and 50 years	54,057	32,501
– on leases of less than 10 years	30,273	31,013
	118,189	69,553

8 PREPAID PREMIUM FOR LAND LEASES

	Group	
	2010	2009
	HK$'000	HK$'000
At 1st January, as previously reported	12,638	13,194
Adjustment on adoption of amendment to HKAS 17	(4,951)	(5,069)
At 1st January, as restated	7,687	8,125
Exchange differences	257	12
Amortisation	(466)	(450)
At 31st December	7,478	7,687

The Group's interests in prepaid premium for land leases at their net book value are analysed as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Held outside Hong Kong		
– on leases of between 10 and 50 years	5,790	5,726
– on leases of less than 10 years	1,688	1,961
	7,478	7,687

9 INVESTMENT PROPERTIES

	Group	
	2010	2009
	HK$'000	HK$'000
At 1st January	27,164	26,815
Exchange differences	32	17
Fair value gains (note 27)	5,347	7,864
Transfer to asset held for sale (note 21)	–	(7,532)
At 31st December	32,543	27,164

The Group's interests in investment properties are analysed as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Held in Hong Kong		
– on leases of over 50 years	16,300	13,400
Held outside Hong Kong		
– on leases of between 10 and 50 years	16,243	13,764
	32,543	27,164

Investment properties were revalued at 31st December 2010 and 2009 on an open market value basis by DTZ Debenham Tie Leung Limited, independent firm of Chartered Surveyors.

10 SUBSIDIARIES

(a) Investments in subsidiaries

	Company	
	2010	2009
	HK$'000	HK$'000
Unlisted investments, at cost	161,765	161,765

10 SUBSIDIARIES (Continued)

(b) Amounts due from/to subsidiaries

	Company	
	2010	2009
	HK$'000	HK$'000
Amounts due from subsidiaries	640,073	1,463,030
Less: amount due after one year, included under non-current assets	40,000	–
Amounts due from subsidiaries, included under current assets	600,073	1,463,030

Amounts due from/to subsidiaries are unsecured, interest-free and repayable on demand, except for an amount of HK$40,000,000 due from a subsidiary which is unsecured, interest bearing at 1.2% above Hong Kong Interbank Offered Rate and repayable in August 2012.

Particulars of principal subsidiaries which, in the opinion of the directors, principally affect the results and/or assets and liabilities of the Group as at 31st December 2010 are set out in note 40 to the financial statements.

11 JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January	234,062	130,935	42,808	42,808
Exchange differences on translation (note 23)	675	28	–	–
Capital contribution (note (b))	–	–	100,880	–
Share of reserves of jointly controlled entities (note 23)	7,439	279	–	–
Share of results of jointly controlled entities	79,725	104,025	–	–
Dividends received	(1,500)	(1,205)	–	–
At 31st December	320,401	234,062	143,688	42,808

11 JOINTLY CONTROLLED ENTITIES (Continued)

Notes:

(a) The Group's share of the financial positions and results of jointly controlled entities is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Assets		
Non-current assets	151,900	32,652
Current assets	738,790	571,877
	890,690	604,529
Liabilities		
Non-current liabilities	(753)	(153)
Current liabilities	(569,536)	(370,314)
	(570,289)	(370,467)
Net assets	320,401	234,062
Revenue	1,687,070	1,372,194
Expenses	(1,607,345)	(1,268,169)
Profit for the year	79,725	104,025

(b) During the year, a jointly controlled entity declared distribution of dividend to the Company, which was utilised in making full payment of additional shares issued and allotted to the Company.

(c) As at 31st December 2010, the Group's and the Company's share of capital commitment of a jointly controlled entity is HK$15,210,000.

(d) Particulars of jointly controlled entities are set out in note 41 to the financial statements.

12 ASSOCIATES

	Group 2010 HK$'000	Group 2009 HK$'000
At 1st January	4,722,687	4,052,810
Acquisition (note (a))	–	87,966
Exchange differences on translation (note 23)	149,921	5,828
Share of reserves of associates (note 23)	(19,126)	15,291
Share of results of associates	438,995	366,194
Net (loss)/gain on deemed disposal of partial interest in an associate (note (c))	(768)	245,287
Dividends received	(95,642)	(50,689)
Disposal (note (d))	(5,138,378)	–
At 31st December	57,689	4,722,687
Market value of listed shares in Hong Kong	–	6,830,050
Carrying amount of unlisted shares	57,689	55,312
	57,689	6,885,362

Notes:

(a) In 2009, the Group acquired an 18% interest in an associate, Double Rich Limited, from COSCO Trading and Supply Investments Limited, a fellow subsidiary, at a total cost of acquisition of HK$47,349,000. The Group also increased its interests in SOLHL during 2009 through acquisition of shares in the open market.

(b) The Group's share of the financial positions and results of associates is as follows:

	Group 2010 HK$'000	Group 2009 HK$'000
Assets		
Non-current assets	56,033	1,518,014
Current assets	801,424	11,374,783
	857,457	12,892,797
Liabilities		
Non-current liabilities	(281)	(3,480,904)
Current liabilities	(799,487)	(4,689,206)
	(799,768)	(8,170,110)
Net assets	57,689	4,722,687
Revenue	8,846,160	5,983,188
Expenses	(8,407,165)	(5,616,994)
Profit for the year	438,995	366,194

12 ASSOCIATES (Continued)

Notes: (Continued)

(c) During 2010, the Group's shareholding interest in SOLHL was diluted due to the exercise of SOLHL's employee share options resulting in a deemed disposal loss of HK$768,000.

On 30th December 2009, SOLHL allotted and issued 934 million new shares to China Life Insurance Company Limited at the subscription price of HK$6.23 per share. Accordingly, the Group's shareholding interest in SOLHL was diluted from 20.20% to 16.85% resulting in a gain on deemed disposal of HK$269,008,000. During 2009, the Group also recorded a net loss on deemed disposal of HK$23,721,000 as a result of the exercise of SOLHL's employee share options and issue of new shares.

(d) On 21st December 2010, the Group disposed of all its shareholding interest in SOLHL at a price of HK$5.6 per share resulting in net proceeds of HK$5,258,294,000 and recognised a gain of HK$545,704,000 of which HK$425,788,000 was realisation of reserves (note 23).

(e) Particulars of associates are set out in note 41 to the financial statements.

13 FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

Group

	Loans and receivables HK$'000	Assets at fair value through profit or loss HK$'000	Available-for-sale HK$'000	Total HK$'000
Assets as per consolidated balance sheet				
At 31st December 2010				
Available-for-sale financial assets (note 14)	–	–	138,344	138,344
Trade and other receivables excluding prepayments (note 18)	1,573,522	–	–	1,573,522
Financial assets at fair value through profit or loss (note 19)	–	554	–	554
Restricted bank deposits, deposits and cash and cash equivalents (note 20)	6,467,530	–	–	6,467,530
Total	8,041,052	554	138,344	8,179,950
At 31st December 2009				
Available-for-sale financial assets (note 14)	–	–	104,084	104,084
Trade and other receivables excluding prepayments (note 18)	527,370	–	–	527,370
Financial assets at fair value through profit or loss (note 19)	–	678	–	678
Restricted bank deposits, deposits and cash and cash equivalents (note 20)	1,272,661	–	–	1,272,661
Total	1,800,031	678	104,084	1,904,793

13 FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Group (Continued)

	Other financial liabilities HK$'000
Liabilities as per consolidated balance sheet	
At 31st December 2010	
Trade and other payables excluding commission income received in advance (note 24)	1,493,515
Short-term borrowings (note 25)	207,299
Total	1,700,814
At 31st December 2009	
Trade and other payables excluding commission income received in advance (note 24)	768,915
Short-term borrowings (note 25)	11,725
Total	780,640

Company

	Loans and receivables HK$'000
Assets as per balance sheet	
At 31st December 2010	
Amounts due from subsidiaries (note 10(b))	640,073
Other receivables excluding prepayments (note 18)	1,017
Deposits and cash and cash equivalents (note 20)	5,594,171
Total	6,235,261
At 31st December 2009	
Amounts due from subsidiaries (note 10(b))	1,463,030
Other receivables excluding prepayments (note 18)	948
Deposits and cash and cash equivalents (note 20)	433,265
Total	1,897,243

13 FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Company (Continued)

	Other financial liabilities HK$'000
Liabilities as per balance sheet	
At 31st December 2010	
Amounts due to subsidiaries (note 10(b))	4,641,810
Other payables (note 24)	10,843
Total	4,652,653
At 31st December 2009	
Amounts due to subsidiaries (note 10(b))	110,035
Other payables (note 24)	9,421
Total	119,456

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2010 HK$'000	2009 HK$'000
At 1st January	104,084	38,503
Fair value gains recognised in equity (note 23)	34,260	65,581
At 31st December	138,344	104,084

There were no impairment provisions on available-for-sale financial assets as at 31st December 2010 and 2009.

Available-for-sale financial assets include the following:

	Group	
	2010 HK$'000	2009 HK$'000
Market value of listed equity securities in Hong Kong	136,585	102,325
Unlisted securities	1,759	1,759
	138,344	104,084

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

Available-for-sale financial assets are denominated in the following currencies:

	Group	
	2010	2009
	HK$'000	HK$'000
Renminbi	1,759	1,759
Hong Kong dollars	136,585	102,325
	138,344	104,084

15 DEFERRED INCOME TAX

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

The movement on the net deferred income tax assets during the year is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
At 1st January	28,790	32,481
Exchange differences	1,081	55
Acquisition of a subsidiary (note 38)	(123)	–
Transferred to current income tax liabilities	170	4,679
Credited/(charged) to the consolidated income statement (note 32)	16,576	(8,425)
At 31st December	46,494	28,790

Deferred income tax assets are recognised for tax losses carried-forward to the extent that realisation of the related tax benefit through future taxable profits is probable. As at 31st December 2010, the Group has unrecognised tax losses of HK$60,721,000 (2009: HK$74,731,000) to carry forward against future taxable income.

15 DEFERRED INCOME TAX (Continued)

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 taxes relate to the same fiscal authority. The balances after offsetting where appropriate are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Deferred income tax assets:		
– to be recovered after more than 12 months	54,786	33,898
– to be recovered within 12 months	4,924	3,528
	59,710	37,426
Deferred income tax liabilities:		
– to be settled after more than 12 months	(13,216)	(8,636)
– to be settled within 12 months	–	–
	(13,216)	(8,636)
	46,494	28,790

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

(a) Deferred income tax assets

	Group			
	Accrued liabilities HK$'000	Impairment losses HK$'000	Others HK$'000	Total HK$'000
At 1st January 2009	17,463	21,784	1,597	40,844
Exchange differences	26	33	3	62
Transfer to current income tax liabilities	4,592	–	–	4,592
Credited/(charged) to the consolidated income statement	532	(7,987)	(617)	(8,072)
At 31st December 2009	22,613	13,830	983	37,426
At 1st January 2010	22,613	13,830	983	37,426
Exchange differences	757	462	28	1,247
Credited/(charged) to the consolidated income statement	18,472	2,767	(202)	21,037
At 31st December 2010	41,842	17,059	809	59,710

15 DEFERRED INCOME TAX (Continued)

(b) Deferred income tax liabilities

	Group				
	Accelerated tax depreciation HK$'000	Fair value gains HK$'000	Withholding tax HK$'000	Others HK$'000	Total HK$'000
At 1st January 2009	(137)	(2,238)	(5,370)	(618)	(8,363)
Exchange differences	–	(1)	(5)	(1)	(7)
Transfer to current income tax liabilities	–	–	87	–	87
Credited/(charged) to the consolidated income statement	49	(1,046)	25	619	(353)
At 31st December 2009	(88)	(3,285)	(5,263)	–	(8,636)
At 1st January 2010	(88)	(3,285)	(5,263)	–	(8,636)
Exchange differences	(7)	(28)	(131)	–	(166)
Acquisition of a subsidiary (note 38)	(123)	–	–	–	(123)
Transfer to current income tax liabilities	–	–	170	–	170
(Charged)/credited to the consolidated income statement	(101)	313	(4,673)	–	(4,461)
At 31st December 2010	(319)	(3,000)	(9,897)	–	(13,216)

As at 31st December 2010, deferred income tax liabilities of HK$9,897,000 (2009: HK$5,263,000) have been established for the withholding tax that would be payable on certain profits of the PRC subsidiaries and jointly controlled entities to be repatriated and distributed by way of dividends.

16 COMPLETED PROPERTIES HELD FOR SALE

	Group	
	2010 HK$'000	2009 HK$'000
Land cost	51	99
Development cost	126	243
	177	342

The carrying value of completed properties held for sale is analysed as follows:

	Group	
	2010 HK$'000	2009 HK$'000
Outside Hong Kong, held on Leases of over 50 years	177	342

17 INVENTORIES

	Group	
	2010	2009
	HK$'000	HK$'000
Raw materials	70,066	65,030
Work in progress	9,686	7,798
Finished goods	374,615	269,251
	454,367	342,079

The cost of inventories recognised as expense and included in cost of sales amounted to HK$7,951,413,000 (2009: HK$1,204,394,000) (note 28).

During the year, the Group recognised inventories impairment provision of HK$22,817,000 (2009: HK$3,648,000) and reversed inventories impairment provision of HK$19,174,000 (2009: HK$12,193,000).

As at 31st December 2010, inventories of HK$47,711,000 (2009: HK$81,459,000) were carried at net realisable value.

18 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables				
– fellow subsidiaries (note (a))	104,200	63,552	–	–
– associated companies of COSCO (note (a))	205,602	66,408	–	–
– ultimate holding company (note (a))	–	158	–	–
– jointly controlled entities (note (a))	630	11	–	–
– non-controlling interests (note (a))	610	557	–	–
– third parties	1,036,971	328,395	–	–
	1,348,013	459,081	–	–
Less: provision for impairment	70,235	67,359	–	–
Trade receivables – net	1,277,778	391,722	–	–
Bills receivables				
– associated companies of COSCO (note (a))	32,722	3,766	–	–
– non-controlling interests (note (a))	587	–	–	–
– third parties	17,012	27,489	–	–
Prepayments	1,476	1,418	415	341
Deposits and other receivables				
– fellow subsidiaries (note (a))	8,217	–	–	–
– third parties	236,954	102,185	985	916
Amounts due from fellow subsidiaries (note (a))	124	2,208	32	32
Amounts due from jointly controlled entities (note (a))	128	–	–	–
	1,574,998	528,788	1,432	1,289

Notes:

(a) Balances with fellow subsidiaries, associated companies of COSCO, ultimate holding company, jointly controlled entities and non-controlling interests are unsecured, interest-free and have no fixed terms of repayment except for the trade related balances and bills receivables, which are repayable according to the respective credit terms.

18 TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(b) The carrying amounts of trade and other receivables approximate their fair values and are denominated in the following currencies:

	Group		Company	
	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Renminbi	859,249	292,428	6	–
Hong Kong dollars	39,204	27,821	1,207	1,133
United States dollars	523,557	186,939	219	156
Others	152,988	21,600	–	–
	1,574,998	528,788	1,432	1,289

(c) As at 31st December, the ageing analysis of trade receivables based on invoice date and after provision is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Current – 90 days	990,152	218,875
91 – 180 days	223,167	71,330
Over 180 days	64,459	101,517
	1,277,778	391,722

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

(d) As at 31st December 2010, trade receivables of HK$78,836,000 (2009: HK$113,880,000) were subject to impairment. Taking into account of the financial difficulties of the debtors, default and delinquency in payments, business relationship and transaction volumes with the debtors, it was assessed that only a portion of these receivables is expected to be recoverable. The amount of the provision for these receivables was HK$70,235,000 as at 31st December 2010 (2009: HK$67,359,000). The ageing analysis of these receivables is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Current – 90 days	–	670
91 – 180 days	273	–
Over 180 days	78,563	113,210
	78,836	113,880

Except for trade receivables mentioned above, the other classes within trade and other receivables do not contain impaired assets.

18 TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(e) Movements on the provision for impairment of trade receivables are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
At 1st January	67,359	70,613
Acquisition of a subsidiary	908	–
Exchange differences	2,044	97
Provision for impairment	41,169	29,163
Amount written off	(1,010)	(540)
Reversal of unused provision	(40,235)	(31,974)
At 31st December	70,235	67,359

(f) Trade receivables that are less than three months past due are not considered impaired. As at 31st December 2010, trade receivables of HK$277,600,000 (2009: HK$166,386,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis on past due days of these receivables is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Up to 90 days	236,227	75,557
91 – 180 days	22,201	33,996
Over 180 days	19,172	56,833
	277,600	166,386

(g) The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Group does not hold any collateral as security.

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2010	2009
	HK$'000	HK$'000
Market value of listed equity securities in Hong Kong	554	678

20 RESTRICTED BANK DEPOSITS, DEPOSITS AND CASH AND CASH EQUIVALENTS

	Group		Company	
	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Restricted bank deposits (note (a))	27,809	7,104	–	–
Money market fund investments (note (b))	–	23,598	–	23,598
Deposits placed with a fellow subsidiary (note (c))	126,865	107,031	–	–
Short-term bank deposits	5,998,038	788,404	5,591,653	408,880
Cash at bank and in hand	314,818	346,524	2,518	787
Deposits and cash and cash equivalents	6,439,721	1,265,557	5,594,171	433,265
	6,467,530	1,272,661	5,594,171	433,265

Notes:

(a) Restricted bank deposits represent deposits pledged for banking facilities and other purposes.

(b) As at 31st December 2009, money market fund investments were highly liquid investments with an effective interest rate of 0.27%.

(c) Deposits placed with a fellow subsidiary, which is a financial institution, bear interest at prevailing market rates. The effective interest rate on deposits placed with a fellow subsidiary and bank deposits was 0.4% (2009: 0.65%). These deposits have an average maturity of 8 days (2009: 80 days).

(d) The carrying amounts of restricted bank deposits, deposits and cash and cash equivalents approximate their fair values and are denominated in the following currencies:

	Group		Company	
	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Renminbi	565,106	399,226	20	6
Hong Kong dollars	5,321,464	72,158	5,263,109	650
United States dollars	529,980	782,893	331,042	432,609
Others	50,980	18,384	–	–
	6,467,530	1,272,661	5,594,171	433,265

(e) The maximum exposure to credit risk at the reporting date is the carrying amount of the balances mentioned above.

20 RESTRICTED BANK DEPOSITS, DEPOSITS AND CASH AND CASH EQUIVALENTS (Continued)

Notes: (Continued)

(f) The Group's cash and cash equivalents include the following for the purposes of the consolidated statement of cash flows:

	Group 2010 HK$'000	Group 2009 HK$'000
Deposits and cash and cash equivalents	6,439,721	1,265,557
Less: cash investments with maturity more than three months from date of placement	139,923	71,048
Cash and cash equivalents	6,299,798	1,194,509

21 ASSET HELD FOR SALE

As at 31st December 2009, an investment property was classified as an asset held for sale and carried at the lower of its carrying amount and fair value less costs to sell as a result of the signing of an agreement relating to the disposal of the investment property. The disposal was completed during the year, resulting in a gain of HK$5,147,000 (note 27).

22 SHARE CAPITAL

	2010 Number of shares	2010 HK$'000	2009 Number of shares	2009 HK$'000
Authorised:				
Shares of HK$0.10 each	3,000,000,000	300,000	3,000,000,000	300,000
Issued and fully paid:				
At 1st January	1,510,697,429	151,070	1,489,671,291	148,967
Shares issued in respect of scrip dividend (note (a))	–	–	20,881,138	2,088
Shares issued upon exercise of share options (note (e))	372,000	37	145,000	15
At 31st December	1,511,069,429	151,107	1,510,697,429	151,070

22 SHARE CAPITAL (Continued)

Share options

On 17th May 2002, a share option scheme was approved at the annual general meeting of the Company under which the directors of the Company may, at their discretion, invite, but not limited to, the directors and employees of the Group, and employees of COSCO, its subsidiaries and associates (other than the Group) (collectively "COSCO Group") to subscribe for shares of the Company.

Particulars and movements of the share options granted by the Company are as follows:

			Number of share options						Vested %	
Category	Note	Exercise price HK$	Outstanding as at 1st January 2010	Granted during the year	Changed category during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31st December 2010	as at 31st December 2010	as at 31st December 2009
Directors	(b)	1.37	3,300,000	–	(1,200,000)	–	–	2,100,000	100	100
	(d)	3.666	6,700,000	–	(800,000)	–	–	5,900,000	70	30
Continuous contract employees	(b)	1.37	6,500,000	–	800,000	(70,000)	–	7,230,000	100	100
	(c)	1.21	750,000	–	(150,000)	–	–	600,000	100	100
	(d)	3.666	15,500,000	–	(600,000)	–	–	14,900,000	70	30
Others	(b)	1.37	22,068,000	–	400,000	(302,000)	(200,000)	21,966,000	100	100
	(c)	1.21	400,000	–	150,000	–	–	550,000	100	100
	(d)	3.666	21,020,000	–	1,400,000	–	–	22,420,000	70	30
			76,238,000	–	–	(372,000)	(200,000)	75,666,000		

Notes:

(a) On 8th July 2009, the Company issued and allotted 20,881,138 ordinary shares at HK$3.297 per share to shareholders who elected to receive the final dividend for the year ended 31st December 2008 in scrip shares pursuant to the scrip dividend scheme announced by the Company on 27th March 2009. These shares rank pari passu with the existing shares of the Company in all respects.

(b) On 2nd December 2004, the directors and employees of the Group were granted 32,650,000 share options at an exercise price of HK$1.37 per share. In addition, 23,250,000 share options were granted to employees of COSCO Group. These share options were all vested upon the date of grant and are exercisable at any time from 29th December 2004 to 28th December 2014. During the year, 372,000 (2009: 100,000) share options were exercised and 200,000 (2009: nil) share options were lapsed.

(c) On 10th May 2005, the employees of the Group were granted 2,400,000 share options at an exercise price of HK$1.21 per share. These share options were all vested upon the date of grant and are exercisable at any time between 6th June 2005 and 5th June 2015. No share options (2009: nil) were exercised during the year.

22 SHARE CAPITAL (Continued)

Notes: (Continued)

(d) On 9th March 2007, the Company granted share options to subscribe for 43,850,000 shares of the Company at an exercise price of HK$3.666 per share. These share options are exercisable at any time from 9th March 2009 to 8th March 2015 in the stipulated proportion namely: (i) no share options shall be exercisable within the first two years from 9th March 2007; (ii) up to a maximum of 30% of the share options can be exercised from 9th March 2009 onwards; (iii) up to a maximum of 70% of the share options can be exercised from 9th March 2010 onwards and (iv) all share options can be exercised from 9th March 2011 onwards. During the year, no share options (2009: 45,000) were exercised and no share options (2009: 205,000) were lapsed.

The Company adopted the Binomial Lattice Valuation Model to determine the fair value of the above share options granted in 2007. The weighted average fair value of each share option at the grant date was HK$1.33. The significant inputs into the model are as follows:

Weighted average price	HK$3.62
Exercise price	HK$3.666
Expected volatility	37% p.a.
Expected option life	8 years
Risk-free rate	4% p.a. for the first 3 years
	4.25% p.a. for the next 5 years
Expected dividend yield	2.2% p.a.

Expected volatility measured at the standard deviation of the continuously compounded rates of return was determined based on the historical volatility of the Company's share price over the previous one year.

During the year, the Group recognised total employee share option benefit expenses of HK$5,668,000 (2009: HK$13,505,000) as a result of the above equity-settled share based transactions on the basis of the fair value of share options granted.

22 SHARE CAPITAL (Continued)

Notes: (Continued)

(e) During the year, an aggregate of 372,000 (2009: 145,000) share options were exercised and a summary of which, analysed by exercise month, is set out below:

	Number of share options exercised	
	2010	2009
Exercise month		
June	–	45,000
September	40,000	100,000
October	60,000	–
November	272,000	–
	372,000	145,000

Exercise of the above share options during the year yielded proceeds as follows:

	2010 HK$'000	2009 HK$'000
Ordinary share capital – at par	37	15
Share premium	473	287
Proceeds	510	302

The weighted average closing price of the Company's shares on the dates when the share options were exercised was HK$4.40 (2009: HK$3.62).

23 RESERVES

Group

	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Capital reserve (note (b)) HK$'000	Contributed surplus (note (c)) HK$'000	Exchange reserve HK$'000	Property Revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1st January 2010	128,882	102,596	103,662	676,218	351,299	6,363	73,473	4,821,297	6,263,790
Transfer of reserves (note (b))	–	–	12,232	–	–	–	–	(12,232)	–
Exchange differences on translation of:									
– subsidiaries	–	–	–	–	20,121	–	–	–	20,121
– jointly controlled entities (note 11)	–	–	–	–	675	–	–	–	675
– associates (note 12)	–	–	–	–	149,921	–	–	–	149,921
Share of reserves of jointly controlled entities (note 11)	–	–	–	–	7,439	–	–	–	7,439
Share of reserves of associates (note 12)	–	22,241	(29,882)	–	(3,884)	–	(7,601)	–	(19,126)
Shares issued upon exercise of share options	473	–	–	–	–	–	–	–	473
Reserves realised in consolidated income statement upon disposal of an associate (note 12(d))	–	–	–	–	(437,433)	–	11,645	–	(425,788)
Reserves realised in retained earnings upon disposal of an associate	–	(72,570)	(24,818)	–	–	–	–	97,388	–
Fair value gains on available-for-sale financial assets (note 14)	–	–	–	–	–	–	34,260	–	34,260
Employee share option benefits	–	5,668	–	–	–	–	–	–	5,668
Profit for the year (note (a))	–	–	–	–	–	–	–	1,268,600	1,268,600
Dividends paid	–	–	–	–	–	–	–	(157,113)	(157,113)
Balance at 31st December 2010	129,355	57,935	61,194	676,218	88,138	6,363	111,777	6,017,940	7,148,920
Representing:									
Reserves	129,355	57,935	61,194	676,218	88,138	6,363	111,777	5,443,734	6,574,714
2010 proposed final and special dividends	–	–	–	–	–	–	–	574,206	574,206
	129,355	57,935	61,194	676,218	88,138	6,363	111,777	6,017,940	7,148,920

23 RESERVES (Continued)

Group (Continued)

	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Capital reserve (note (b)) HK$'000	Contributed surplus (note (c)) HK$'000	Exchange reserve HK$'000	Property Revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1st January 2009	61,864	71,054	78,968	676,218	378,970	6,363	10,529	4,112,762	5,396,728
Transfer of reserves (note (b))	–	–	33,996	–	–	–	–	(33,996)	–
Reserve realised in retained earnings upon dissolution of a subsidiary	–	–	(9,302)	–	–	–	–	9,302	–
Reserve realised in consolidated income statement upon dissolution of a subsidiary (note 27)	–	–	–	–	(33,721)	–	–	–	(33,721)
Exchange differences on translation of:									
– subsidiaries	–	–	–	–	78	–	–	–	78
– jointly controlled entities (note 11)	–	–	–	–	28	–	–	–	28
– associates (note 12)	–	–	–	–	5,828	–	–	–	5,828
Share of reserves of jointly controlled entities (note 11)	–	–	–	–	279	–	–	–	279
Share of reserves of associates (note 12)	–	18,091	–	–	(163)	–	(2,637)	–	15,291
Shares issued in respect of scrip dividend	66,757	–	–	–	–	–	–	(68,845)	(2,088)
Shares issued upon exercise of share options	341	(54)	–	–	–	–	–	–	287
Share issue expenses	(80)	–	–	–	–	–	–	–	(80)
Fair value gains on available-for-sale financial assets (note 14)	–	–	–	–	–	–	65,581	–	65,581
Employee share option benefits	–	13,505	–	–	–	–	–	–	13,505
Profit for the year (note (a))	–	–	–	–	–	–	–	843,675	843,675
Dividends paid	–	–	–	–	–	–	–	(41,601)	(41,601)
Balance at 31st December 2009	128,882	102,596	103,662	676,218	351,299	6,363	73,473	4,821,297	6,263,790
Representing:									
Reserves	128,882	102,596	103,662	676,218	351,299	6,363	73,473	4,694,398	6,136,891
2009 proposed final dividend	–	–	–	–	–	–	–	126,899	126,899
	128,882	102,596	103,662	676,218	351,299	6,363	73,473	4,821,297	6,263,790

23 RESERVES (Continued)

Company

	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Contributed Surplus (note (c)) HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1st January 2010	128,882	52,267	676,218	976,214	1,833,581
Shares issued upon exercise of share options	473	–	–	–	473
Employee share options benefits	–	5,668	–	–	5,668
Profit for the year	–	–	–	56,238	56,238
Dividends paid	–	–	–	(157,113)	(157,113)
Balance at 31st December 2010	129,355	57,935	676,218	875,339	1,738,847
Representing:					
Reserves	129,355	57,935	676,218	301,133	1,164,641
2010 proposed final and special dividends	–	–	–	574,206	574,206
	129,355	57,935	676,218	875,339	1,738,847

	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Contributed Surplus (note (c)) HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1st January 2009	61,864	38,816	676,218	535,731	1,312,629
Shares issued in respect of scrip dividend	66,757	–	–	(68,845)	(2,088)
Shares issued upon exercise of share options	341	(54)	–	–	287
Share issue expenses	(80)	–	–	–	(80)
Employee share options benefits	–	13,505	–	–	13,505
Profit for the year	–	–	–	550,929	550,929
Dividends paid	–	–	–	(41,601)	(41,601)
Balance at 31st December 2009	128,882	52,267	676,218	976,214	1,833,581
Representing:					
Reserves	128,882	52,267	676,218	849,315	1,706,682
2009 proposed final dividend	–	–	–	126,899	126,899
	128,882	52,267	676,218	976,214	1,833,581

23 RESERVES (Continued)

Notes:

(a) Profit for the year of HK$1,268,600,000 (2009: HK$843,675,000) includes a net profit of HK$79,725,000 (2009: HK$104,025,000) attributable to jointly controlled entities and HK$438,995,000 (2009: HK$366,194,000) attributable to associates.

(b) Transfer of reserves to capital reserve represents the Group's share of the PRC statutory reserves of certain subsidiaries, jointly controlled entities and associates. As at 31st December 2010, the PRC statutory reserves included in capital reserve amount to HK$61,194,000 (2009: HK$103,662,000).

(c) In 2004, part of the amount standing to the credit of the share premium account of the Company was offset against the entire accumulated losses as at 31st December 2003 of HK$1,680,335,000 and the remaining credit of the share premium account of HK$676,218,000 was transferred to contributed surplus.

24 TRADE AND OTHER PAYABLES

	Group		Company	
	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Trade payables				
– fellow subsidiaries (note (a))	3,965	23,706	–	–
– associated companies of COSCO (note (a))	374	2,673	–	–
– jointly controlled entities (note (a))	1,132	26	–	–
– non-controlling interests (note (a))	78	77	–	–
– third parties	681,940	186,311	–	–
	687,489	212,793	–	–
Bills payables				
– non-controlling interests (note (a))	1,119	469	–	–
– third parties	255,454	64,607	–	–
Advances from customers and other payables				
– fellow subsidiaries (note (a))	73,054	3,873	–	–
– associated companies of COSCO (note (a))	93,104	16,610	–	–
– jointly controlled entities (note (a))	698	–	–	–
– non-controlling interests (note (a))	3,467	3,884	–	–
– third parties	323,850	306,920	776	1,127
Accrued liabilities	49,899	87,605	10,067	8,294
Commission income received in advance	81,308	77,162	–	–
Amounts due to fellow subsidiaries (note (a))	5,381	72,154	–	–
	1,574,823	846,077	10,843	9,421

24 TRADE AND OTHER PAYABLES (Continued)

Notes:

(a) Balances with fellow subsidiaries, associated companies of COSCO, jointly controlled entities and non-controlling interests are unsecured, interest-free and have no fixed terms of repayment except for the trade related balances, which are repayable accordingly to the respective credit terms.

(b) The carrying amounts of trade and other payables approximate their fair values and are denominated in the following currencies:

	Group		Company	
	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Renminbi	805,211	364,305	398	–
Hong Kong dollars	55,066	113,343	10,445	9,421
United States dollars	618,837	333,082	–	–
Others	95,709	35,347	–	–
	1,574,823	846,077	10,843	9,421

(c) As at 31st December, the ageing analysis of trade payables based on invoice date is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Current – 90 days	644,839	198,254
91 – 180 days	30,586	5,153
Over 180 days	12,064	9,386
	687,489	212,793

25 SHORT-TERM BORROWINGS

	Group	
	2010	2009
	HK$'000	HK$'000
Unsecured bank loans, repayable within one year	207,299	11,725

Notes:

(a) The carrying amounts of short-term borrowings approximate their fair values and are denominated in the following currencies:

	Group	
	2010	2009
	HK$'000	HK$'000
Renminbi	23,590	–
United States dollars	183,709	11,725
	207,299	11,725

(b) The effective interest rates of short-term borrowings during the year ended 31st December 2010 and 2009 are as follows:

	2010	2009
Renminbi	3.79%	5.77%
United States dollars	3.18%	4.63%

(c) Short-term borrowings are subject to the exposure of interest rate changes at contractual repricing dates.

26 DERIVATIVE FINANCIAL INSTRUMENTS

During the year, the Group entered into certain contracts to hedge the Group's exposure to the price fluctuation in relation to the sale and purchase of fuel oil. As of 31st December 2010, the Group did not have any outstanding derivative contracts.

During the year, fair value losses of HK$5,596,000 had been initially recognised in equity and subsequently transferred to cost of sales upon maturity of the derivative financial instruments.

27 OTHER INCOME

	2010 HK$'000	2009 HK$'000
Gain on disposal of property, plant and equipment	197	–
Fair value gains on investment properties (note 9)	5,347	7,864
Negative goodwill recognised upon acquisition of a subsidiary (note 38)	684	–
Exchange reserve realised upon dissolution of a subsidiary (note 23)	–	33,721
Reversal of provision for impairment of inventories, net of provision	–	8,545
Reversal of provision for impairment of trade receivables, net of provision	–	2,811
Recovery of bad debts written off	–	6
Fair value gains on financial assets at fair value through profit or loss	–	439
Dividend income from listed and unlisted investments	1,991	3,288
Gain on disposal of asset held for sale	5,147	–
Net exchange gains	19,690	5,637
Others	2,938	3,476
	35,994	65,787

28 EXPENSES BY NATURE

	2010 HK$'000	2009 HK$'000
Cost of sales		
Cost of inventories sold (note 17)	7,951,413	1,204,394
Cost of properties sold	177	2,564
Direct operating expenses for generating rental income	135	113
	7,951,725	1,207,071
Selling, administrative and general expenses		
Selling expenses	183,337	74,214
Depreciation and amortisation (note 28(a))	6,742	8,536
Amortisation of prepaid premium for land leases	466	450
Operating lease rental expenses (note 28(b))	19,463	17,740
Administrative staff costs	126,127	120,918
Auditors' remuneration	4,264	3,920
Others	111,511	75,818
	451,910	301,596
Other expenses		
Loss on disposal of property, plant and equipment	–	62
Provision for impairment of inventories, net of reversal	3,643	–
Write-off of inventories	386	282
Provision for impairment of trade receivables, net of reversal	934	–
Write-off of bad debts	204	–
Fair value losses on financial assets at fair value through profit or loss	124	–
	5,291	344

28 EXPENSES BY NATURE (Continued)

(a) Depreciation and amortisation

	2010 HK$'000	2009 HK$'000
Charge for the year (note 7)	15,129	15,344
Charged to cost of sales	(7,492)	(3,672)
Capitalised in inventories	(895)	(3,136)
	6,742	8,536

(b) Operating lease rental expenses

	2010 HK$'000	2009 HK$'000
Land and buildings	19,463	17,740

29 EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses, which were included in cost of sales, selling, administrative and general expenses, are as follows:

	2010 HK$'000	2009 HK$'000
Wages, salaries and benefits, including directors' emoluments (note 30(a))	174,330	140,027
Employee share option benefits (note 22(d))	5,668	13,505
Pension costs – defined contribution scheme (note)	12,585	11,561
	192,583	165,093
Included in:		
Cost of sales	25,087	16,380
Selling, administrative and general expenses	167,496	148,713
	192,583	165,093

Note:

There were no forfeited contributions (2009: nil) utilised during the year and no forfeited contributions were available at the year-end to reduce future contributions. There were no contributions (2009: nil) payable to the fund at the year-end.

30 EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

(a) Directors' emoluments

Details of the emoluments of directors who were also the key management personnel of the Company for the year ended 31st December 2010 are as follows:

Name of directors	Fees	Salaries and other emoluments	Share option benefits	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Mr. Wang Futian	–	5,000	103	5,103
Mr. Liang Yanfeng	–	–	142	142
Mr. Wang Xiaodong	–	2,400	103	2,503
Mr. Lin Wenjin	–	1,080	103	1,183
Mr. Jia Lianjun	–	–	100	100
Mr. Meng Qinghui	–	–	103	103
Mr. Chen Xuewen	–	–	103	103
Mr. Wang Xiaoming (resigned on 11th August 2010)	–	–	103	103
Mr. Kwong Che Keung, Gordon	210	–	–	210
Mr. Tsui Yiu Wa, Alec	210	–	–	210
Mr. Jiang, Simon X.	210	–	–	210
	630	8,480	860	9,970

Details of the emoluments of directors who were also the key management personnel of the Company for the year ended 31st December 2009 are as follows:

Name of directors	Fees	Salaries and other emoluments	Share option benefits	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Mr. Wang Futian	–	5,000	245	5,245
Mr. Liang Yanfeng	–	2,265	336	2,601
Mr. Wang Xiaoming	–	–	245	245
Mr. Wang Xiaodong	–	1,155	245	1,400
Mr. Lin Wenjin	–	1,080	245	1,325
Mr. Jia Lianjun	–	–	235	235
Mr. Meng Qinghui	–	–	245	245
Mr. Chen Xuewen	–	–	245	245
Mr. Kwong Che Keung, Gordon	205	–	–	205
Mr. Tsui Yiu Wa, Alec	205	–	–	205
Mr. Jiang, Simon X.	205	–	–	205
	615	9,500	2,041	12,156

As at 31st December 2010, directors of the Company had outstanding share options to subscribe for 8,000,000 (2009: 10,000,000) shares of the Company (refer to note 22 for details).

30 EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2009: four) directors whose emoluments are reflected in the above analysis. The emoluments of the remaining three (2009: one) individuals during the year are as follows:

	2010 HK$'000	2009 HK$'000
Basic salaries, other allowances and benefit-in-kind	4,016	1,514
Pension costs – defined contribution scheme	36	12
	4,052	1,526

The emoluments of the individual fell within the following band:

	Number of individual	
Emolument band	2010	2009
HK$1,000,001 – HK$1,500,000	2	–
HK$1,500,001 – HK$2,000,000	1	1

31 FINANCE INCOME – NET

	2010 HK$'000	2009 HK$'000
Interest income from:		
– a fellow subsidiary	1,930	347
– a jointly controlled entity	–	1,346
– money market fund investments	8	67
– bank deposits	8,394	8,956
Total finance income	10,332	10,716
Interest expenses on bank loans wholly repayable within five years	(5,532)	(6,297)
Other finance charges	(3,673)	(1,773)
Total finance costs	(9,205)	(8,070)
Finance income – net	1,127	2,646

32 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year.

The PRC income tax has been calculated on the estimated assessable profit derived from the Group's operations in the PRC for the year at 25% (2009: 25%) except for certain subsidiaries, which are taxed at reduced rates ranging from 12.5% to 22% (2009: 15% to 20%) based on different local preferential policies on income tax and approval by relevant tax authorities.

Overseas taxation has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates. These rates range from 17% to 42.5% (2009:17%) during the year.

	2010 HK$'000	2009 HK$'000
Current income tax		
– Hong Kong profits tax	22,140	22,111
– the PRC enterprise income tax	52,815	25,667
– Overseas taxation	5,937	10
– (Over)/under-provision for Hong Kong profits tax in prior years	(16)	257
– Under-provision for the PRC taxation in prior years	1,493	2,286
Deferred income tax (credit)/charge (note 15)	(16,576)	8,425
Income tax expense	65,793	58,756

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the profits tax rate of Hong Kong where the Company operates and the difference is set out below:

	2010 HK$'000	2009 HK$'000
Profit before income tax (excluding share of profits of jointly controlled entities and associates)	840,032	434,764
Calculated at a tax rate of 16.5% (2009: 16.5%)	138,605	71,736
Effect of different tax rates in the PRC and overseas countries	7,542	10,444
Income not subject to income tax	(92,395)	(49,358)
Expenses not deductible for tax purposes	10,668	15,718
Utilisation of previously unrecognised tax losses	(1,954)	–
Tax losses not recognised	275	1,927
Under-provision in prior years	1,477	2,543
Withholding tax on profits of entities in the PRC	4,673	(25)
Other temporary differences	143	(3,353)
Special tax credit	(3,241)	(765)
Taxation on the Group's internal reorganisation	–	9,889
Income tax expense	65,793	58,756

33 PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

Profit attributable to the equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$56,238,000 (2009: HK$550,929,000).

34 EARNINGS PER SHARE

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

	2010	2009
Profit attributable to the equity holders of the Company	HK$1,268,600,000	HK$843,675,000
Weighted average number of ordinary shares in issue	1,510,752,591	1,499,846,994
Basic earnings per share	83.97 HK cents	56.25 HK cents

(b) Diluted earnings per share is calculated based on the weighted average number of ordinary shares in issue after adjusting for the potential dilutive effect of outstanding share options.

	2010	2009
Profit attributable to the equity holders of the Company	HK$1,268,600,000	HK$843,675,000
Weighted average number of ordinary shares in issue	1,510,752,591	1,499,846,994
Adjustment for assumed issuance of shares on exercise of share options	26,680,811	17,735,038
Weighted average number of ordinary shares for diluted earnings per share	1,537,433,402	1,517,582,032
Diluted earnings per share	82.51 HK cents	55.59 HK cents

35 DIVIDENDS

	2010 HK$'000	2009 HK$'000
Interim dividend paid of HK$0.02 (2009: HK$0.01) per ordinary share	30,215	15,107
Final dividend proposed of HK$0.03 (2009: HK$0.084) per ordinary share	45,332	126,899
Special dividend proposed of HK$0.35 (2009: nil) per ordinary share	528,874	–
	604,421	142,006

At the board meeting held on 24th March 2011, the directors proposed a final dividend of HK$0.03 per ordinary share and a special dividend of HK$0.35 per ordinary share for the year ended 31st December 2010. These proposed dividends have not been reflected as dividends payable in the financial statements for the year ended 31st December 2010, but will be reflected in the financial statements as an appropriation of retained profits for the year ending 31st December 2011.

36 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of operating profit to cash (used in)/generated from operations

	2010 HK$'000	2009 HK$'000
Operating profit	293,969	186,831
Negative goodwill recognised upon acquisition of a subsidiary	(684)	–
Depreciation and amortisation of property, plant and equipment, net of amount capitalised	14,234	12,208
(Gain)/loss on disposal of property, plant and equipment	(197)	62
Amortisation of prepaid premium for land leases	466	450
Fair value gains on investment properties	(5,347)	(7,864)
Exchange reserve gain realised upon dissolution of a subsidiary	–	(33,721)
Fair value losses/(gains) on financial assets at fair value through profit or loss	124	(439)
Provision for/(reversal of) impairment of inventories, net	3,643	(8,545)
Write-off of inventories	386	282
Provision for/(reversal of) impairment of trade receivables, net	934	(2,811)
Write-off of bad debts	204	–
Gain on disposal of asset held for sale	(5,147)	–
Employee share option benefits	5,668	13,505
Dividend income	(1,991)	(3,288)
Operating profit before working capital changes	306,262	156,670
Decrease in completed properties held for sale	177	2,293
(Increase)/decrease in inventories	(101,209)	26,584
(Increase)/decrease in trade receivables, bills receivables, prepayments, deposits and other receivables	(1,013,235)	311,573
Decrease/(increase) in amounts due from fellow subsidiaries	2,084	(2,087)
Decrease in amount due from an associated company of COSCO	–	49
(Increase)/decrease in amounts due from jointly controlled entities	(128)	1,196
Increase/(decrease) in trade payables, bills payables, advances from customers, other payables, accrued liabilities and commission income received in advance	745,442	(100,882)
Decrease in amounts due to fellow subsidiaries	(66,773)	(12,444)
Cash (used in)/generated from operations	(127,380)	382,952

37 COMMITMENTS

(a) Capital commitments

Capital commitments in respect of property, plant and equipment as at 31st December 2010 are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Authorised but not contracted for	–	2,643
Contracted but not provided for	–	3,875
	–	6,518

(b) Operating lease commitments

The aggregate future minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	Group		Company	
	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Within one year	15,219	17,652	4,418	7,574
In the second to fifth years inclusive	12,591	9,135	–	4,418
	27,810	26,787	4,418	11,992

The Group's operating leases were for terms ranging from one to five years.

(c) Future minimum rental receivables

The future minimum rental receivables under non-cancellable leases are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within one year	858	299
In the second to fifth years inclusive	109	57
	967	356

The Group's operating leases were for terms ranging from one to two years.

38 BUSINESS COMBINATION

On 31st July 2010, the Group acquired 100% equity interest in Xing Yuan (Singapore) Pte. Ltd. ("Xing Yuan") at an aggregate cash consideration of S$850,000 from COSCO Holdings (Singapore) Pte. Ltd., a fellow subsidiary and Hai Feng Marine (Private) Limited, an independent third party. Xing Yuan is engaged in the business of sales and installation of marine equipment and spare parts for vessels and related services. The acquired business contributed revenue of HK$58,307,000 and net profit of HK$4,764,000 to the Group for the year ended 31st December 2010. If the acquisition had occurred on 1st January 2010, Group revenue would have been HK$8,720,522,000 and profit attributable to equity holders of the Company would have been HK$1,274,334,000.

Details of net assets acquired and negative goodwill are as follows:

	HK$'000
Purchase consideration	4,853
Fair value of net assets acquired – shown as below	(5,537)
Negative goodwill (included in other income)	(684)

The assets and liabilities arising from the acquisition are as follows:

	Fair value HK$'000	Acquiree's carrying amount HK$'000
Plant and equipment (note 7)	588	588
Inventories	2,855	2,276
Trade receivables	23,594	23,594
Deposits, prepayment and other receivables	1,491	1,491
Cash and cash equivalents	12,165	12,165
Trade payables	(15,440)	(15,440)
Advances from customers and other payables	(10,847)	(10,847)
Accrued liabilities	(4,616)	(4,616)
Current income tax liabilities	(1,020)	(1,020)
Dividend payable	(3,110)	(3,110)
Deferred income tax liabilities (note 15(b))	(123)	(24)
Net assets	5,537	5,057
Fair value of net assets acquired	5,537	

Net inflow of cash and cash equivalents on acquisition:

Purchase consideration settled in cash	(4,853)
Cash and cash equivalents in a subsidiary acquired	12,165
Net cash generated from acquisition of a subsidiary	7,312

39 MATERIAL RELATED PARTY TRANSACTIONS

The Group is controlled by COSCO (Hong Kong) Group Limited ("COSCO Hong Kong"), a company incorporated in Hong Kong, which owns 59.85% of the Company's shares as at 31st December 2010. The remaining 40.15% of the Company's shares is widely held. The parent of COSCO Hong Kong is COSCO.

COSCO itself is a state-owned enterprise and is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with HKAS 24, 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, its subsidiaries and associates, other state-owned enterprises and their subsidiaries directly or indirectly controlled by the PRC government, and 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 years 2010 and 2009, the Group's significant transactions with entities that are controlled, jointly controlled or significantly influenced by the PRC government, mainly include most of its bank deposits and the corresponding interest income and part of sales and purchases of goods and services. The price and other terms of such transactions are set out in the agreements governing these transactions or as mutually agreed.

Apart from the above-mentioned transactions with the government-related entities and the related party information shown elsewhere in the financial statements, the following is a summary of the significant related party transactions carried out in the normal course of the Group's business:

39 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Sale of goods and provision of services to fellow subsidiaries, associated companies of COSCO and other related parties

	Note	2010 HK$'000	2009 HK$'000
Sale of coatings to:	(i)		
– fellow subsidiaries		7,386	6,368
– associated companies of COSCO		483,031	41,779
– non-controlling interests		744	3,129
– jointly controlled entities		81	2,035
Sale of marine equipment and spare parts to:	(ii)		
– fellow subsidiaries		412,636	305,825
– associated companies of COSCO		42,180	3,175
– holding companies		–	562
– jointly controlled entities		1,292	686
Commission income in relation to provision of ship trading agency services to:	(iii)		
– fellow subsidiaries		138,182	98,213
– associated companies of COSCO		11,122	38,597
– a holding company		211	–
– a jointly controlled entity		14,851	8,404
Commission income in relation to provision of insurance brokerage services to:	(iv)		
– fellow subsidiaries		55,911	48,368
– associated companies of COSCO		839	674
– holding companies		64	55
– jointly controlled entities		2	18
Sale of marine fuel to a fellow subsidiary	(v)	103,719	–
Sale of ship supplies and other products to:	(vi)		
– fellow subsidiaries		14,101	9,452
– associated companies of COSCO		1,623	2,613
– a jointly controlled entity		19	–
Interest income received from a jointly controlled entity		–	1,346
Interest income received from a fellow subsidiary (note 20(c))	(vii)	1,930	347

Notes:

(i) Sale of coatings to fellow subsidiaries, associated companies of COSCO, non-controlling interests and jointly controlled entities was conducted on terms as set out in the agreements governing these transactions.

(ii) Sale of marine equipment and spare parts to fellow subsidiaries, associated companies of COSCO, holding companies and jointly controlled entities was conducted on terms as set out in the agreements governing these transactions.

(a) Sale of goods and provision of services to fellow subsidiaries, associated companies of COSCO and other related parties (Continued)

Notes: (Continued)

(iii) Certain subsidiaries of the Company acted as agent of COSCO and its subsidiaries relating to (a) sale and purchase of new and second hand vessels, (b) bareboat charter businesses, and (c) sale and purchase of marine equipment for new shipbuilding projects. According to the terms of the relevant engagement/commission agreements, the Group received commission income from vendors, ship-owners and equipment makers with respect to the transactions mentioned above. The commissions were charged based on terms as set out in the agreements governing these transactions.

(iv) Commission income in relation to the provision of insurance brokerage services to fellow subsidiaries, associated companies of COSCO, holding companies and jointly controlled entities was calculated on terms as set out in the agreements governing these transactions.

(v) Sale of marine fuel to a fellow subsidiary was conducted on terms as set out in the agreements governing these transactions.

(vi) Sale of ship supplies and other products to fellow subsidiaries, associated companies of COSCO and a jointly controlled entity was conducted on terms as set out in the agreements governing these transactions.

(vii) Interest income was received from cash deposits placed with a fellow subsidiary and was calculated at prevailing market rates.

(b) Purchase of goods and services from fellow subsidiaries, associated companies of COSCO and other related parties

	Note	2010 HK$'000	2009 HK$'000
Rental expenses paid to fellow subsidiaries	(i)	16,529	15,474
Commission expenses in relation to sale of coatings paid to:	(ii)		
– fellow subsidiaries		4,259	528
– associated companies of COSCO		32,420	–
Commission expenses in relation to sale of marine equipment paid to an associated company of COSCO	(iii)	1,416	–
Purchase of marine equipment from an associated company of COSCO	(iii)	24,866	–
Purchase of raw materials from non-controlling interests	(iv)	3,850	11,968
Purchase of asphalt and other services from fellow subsidiaries	(v)	–	207,265
Purchase of marine fuel from:	(vi)		
– fellow subsidiaries		297,319	21,017
– an associated company of COSCO		–	546
Technology usage fee paid to non-controlling interests	(vii)	5,871	1,844
Management service fees paid to a holding company and fellow subsidiaries	(viii)	15,090	2,367
Interest expenses paid to a fellow subsidiary (note 39(c))		–	509

39 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Purchase of goods and services from fellow subsidiaries, associated companies of COSCO and other related parties (Continued)

Notes:

(i) In 2007, the Group leased certain properties in Hong Kong from the wholly-owned subsidiaries of COSCO Hong Kong at an aggregate monthly rent of HK$1,191,380 for 3 years commencing respectively on 1st January and 3rd August 2008. The Group also leased other properties in the PRC from fellow subsidiaries on terms as set out in the agreements governing these transactions.

(ii) Commission paid was based on a certain percentage of sales amounts in accordance with terms as set out in the agreements governing these transactions.

(iii) An associated company of COSCO is appointed as agent to provide agency services in relation to the sale of marine equipment in the PRC and to purchase marine equipment from suppliers. Commission paid was based on a certain percentage of sales procured by the associated company of COSCO.

(iv) Purchase of raw materials from non-controlling interests was conducted on terms as set out in the agreements governing these transactions.

(v) Purchase of asphalt and other services from fellow subsidiaries was conducted on terms as set out in the agreements governing these transactions.

(vi) Purchase of marine fuel from a fellow subsidiary was conducted on terms as set out in the agreements governing these transactions.

(vii) Technology usage fee paid to non-controlling interests was made based on a certain percentage of the net sales amount in accordance with terms as set out in the agreements governing these transactions.

(viii) Management service fees were paid to COSCO Hong Kong and its subsidiaries in relation to their provision of administrative services, manpower resources, technical support and other ancillary support to the Group and sharing of office premises by the Group and were conducted on terms as set out in the agreements governing these transactions.

(c) On 25th November 2008, COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd. (the "Borrower"), a non-wholly owned subsidiary of the Company, entered into a facility agreement with COSCO Finance Co., Ltd. (the "Lender"), a fellow subsidiary, whereby the Lender agreed to provide a revolving loan facility of up to RMB32,000,000 (approximately HK$36,286,000) to the Borrower. The loan was secured by the corporate guarantee executed by COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd., a non-wholly owned subsidiary of the Company, bore interest at 5.31% per annum and was repaid on 30th March 2009.

(d) On 3rd March 2009, New Renown Limited ("New Renown"), a wholly-owned subsidiary of the Company, entered into a conditional share transfer agreement with COSCO Trading and Supply Investments Limited ("COSCO Trading"), a wholly-owned subsidiary of COSCO Hong Kong, relating to the acquisition by New Renown of an 18% equity interest of Double Rich Limited from COSCO Trading for a cash consideration of US$4,905,484 (equivalent to approximately HK$38,044,000). The principal activities of Double Rich Limited include investment holding and the trading of oil products.

40 PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries of the Group as at 31st December 2010 are as follows:

Name	Place of incorporation/ operation and type of legal entity	Particulars of issued share capital/ registered capital	Attributable equity interest held	Principal activities
Capital Properties Limited#	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	100%	Provision of nominee services
COSCO (Hong Kong) Insurance Brokers Limited	Hong Kong, limited liability company	5,000,000 ordinary shares of HK$1 each	100%	Provision of insurance brokerages and related services
COSCO International Land Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	100%	Investment holding
COSCO International Ship Trading and Supplying Services Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	100%	Investment holding
COSCO International Ship Trading Company Limited	Hong Kong, limited liability company	500,000 ordinary shares of HK$1 each	100%	Provision of agency services in ship trading business
COSCO Project Management Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	100%	Investment holding
COSMART Company Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	100%	Provision of agency services in ship trading business
New Legend Holdings Limited	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding
Yuantong Marine Service Co. Limited	Hong Kong, limited liability company	43,000,000 ordinary shares of HK$1 each	100%	Trading of marine equipment and spare parts
COSCO (B.V.I.) Holdings Limited#	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
COSCO International Land (B.V.I.) Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	100%	Investment holding

40 PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ operation and type of legal entity	Particulars of issued share capital/ registered capital	Attributable equity interest held	Principal activities
Fragrant Sea Limited#	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Graceful Nice Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Hugo Marine Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Leadfull Investments Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
New Renown Limited#	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Promise Keep Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Raycle Match Development Ltd.	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Sunny Wealth Investments Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Uppermost Corporation#	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Winner Pacific Investment Ltd.	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
COSCO (Beijing) Marine Electronic Equipment Limited	PRC, wholly foreign-owned enterprise	RMB680,000	100%	Trading of marine equipment and spare parts

40 PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ operation and type of legal entity	Particulars of issued share capital/ registered capital	Attributable equity interest held	Principal activities
COSCO International Trading Company Limited	PRC, wholly foreign-owned enterprise	RMB130,633,044	100%	Trading of asphalt, ship equipment and accessories
COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd.#	PRC, Sino-foreign equity joint venture enterprise	US$7,000,000	63.07%	Production and sale of coatings
COSCO Kansai Paint & Chemicals (Tianjin) Co., Ltd.#	PRC, Sino-foreign equity joint venture enterprise	US$5,000,000	63.07%	Production and sale of coatings
COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd.#	PRC, wholly foreign-owned enterprise	US$10,000,000	64.71%	Production and sale of coatings
COSCOSHIP Beijing Company Limited	PRC, wholly foreign-owned enterprise	US$1,300,000	100%	Provision of agency services in ship trading business
Shenzhen COSCO Insurance Brokers Ltd.	PRC, Sino-foreign equity joint venture enterprise	RMB5,000,000	55%	Provision of professional services of insurance brokerages
Yuantong Marine Trade (Shanghai) Co., Ltd. (formerly known as Xiang Li Yuan (Shanghai) Property Management Co., Ltd.)	PRC, wholly foreign-owned enterprise	US$500,000	100%	Trading of marine equipment and spare parts
Sinfeng Marine Services Pte. Ltd.	Singapore, limited liability company	7,000,000 ordinary shares of US$1 each	100%	Trading of marine fuel and other related products
Xing Yuan (Singapore) Pte. Ltd.	Singapore, limited liability company	100,000 ordinary shares of S$1 each	100%	Trading of marine equipment and spare parts
Shin Chung Lin Corporation	Japan, limited liability company	600 ordinary shares of JPY50,000 each	100%	Trading of marine equipment and spare parts

shares held directly by the Company

41 JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

Particulars of jointly controlled entities and associates of the Group as at 31st December 2010 are as follows:

Name	Place of incorporation/ operation and type of legal entity	Particulars of issued share capital/ registered capital	Attributable equity interest held	Principal activities
a) Jointly controlled entities				
Jotun COSCO Marine Coatings (HK) Limited	Hong Kong/PRC, limited liability company	2,400 ordinary shares of HK$1 each	50%	Investment holding and sale of coatings
Cosbulk International Trading Co. Ltd.	PRC, limited liability company	RMB1,500,000	49%	Vessel and equipment trade consultant
COSCO Dalian Ocean Electronic Co., Ltd.	PRC, Sino-foreign equity joint venture enterprise	RMB600,000	40%	Provision of marine electronic engineering services
Shanghai Ocean International Trading Co. Ltd.	PRC, limited liability company	RMB10,000,000	50%	International and domestic trade
Shanghai Ocean Radio Co., Ltd.	PRC, Sino-foreign equity joint venture enterprise	US$250,000	25%	Trading of marine equipment and provision of repair and maintenance
Tianjin Marine Electronic Co., Ltd.	PRC, Sino-foreign equity joint venture enterprise	US$200,000	25%	Provision of marine electronic engineering services

41 JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (Continued)

Name	Place of incorporation/ operation and type of legal entity	Particulars of issued share capital/ registered capital	Attributable equity interest held	Principal activities
b) Associates				
COSCO Guangzhou Shipstores Supply Co., Ltd.	PRC, limited liability company	RMB30,442,100	20%	Supply and storage of related materials of cargo transportation
Coscoship (Qiandao) Co., Ltd.	PRC, limited liability company	RMB3,000,000	20%	Vessel engineering and technical support
German Lashing (Nanjing) Co., Ltd.	PRC, Sino-foreign equity joint venture enterprise	US$663,000	20%	Manufacture, sale and provision of after-sale service of container software and related products
Shanghai Ocean Diamond Co. Ltd (formerly known as Shanghai WaiGaoQiao Ocean Trading Develop Co., Ltd.)	PRC, limited liability company	RMB1,000,000	50%	International and domestic trade
Double Rich Limited	Hong Kong, limited liability company	88,000,000 ordinary shares of HK$1 each	18%	Trading of oil products and investment holding

LIST OF MAJOR PROPERTIES

As at 31st December 2010

	Description	Existing use	Approximate area	Lease term	% of interest attributable to the Group
Properties held for own use					
(1)	No. 42, Diwu Main Street, Economic Technology Development Zone, Tianjin, the PRC	Industrial	Site area 28,572.32 sq.m.	From 19th March 2007 to 31st December 2011	63.07
(2)	No.5589-5689 Hutai Road, Shanghai, the PRC	Industrial	Site area 44,159 sq.m.	From 22nd December 1995 to 21st December 2015	63.07
(3)	Economic Zone, Gaolan Port, Zhuhai, the PRC	Industrial	Site area 67,881.68 sq.m.	From 18th April 2006 to 17th April 2056	64.71
(4)	207 Henderson Road, #01-03/#03-03 Henderson Industrial Park, Singapore 159550	Commercial	Salable area 782 sq.m.	Freehold	100
Property held for investment					
(1)	19th Floor, Nan Dao Commercial Building, 359-361 Queen's Road Central, Hong Kong	Commercial	Gross floor area 320.51 sq.m.	999 years from 7th February 1852	100

	Description	Existing use	Approximate area	% of interest attributable to the Group
Properties held for sale				
(1)	No. 9 Basement 1, No. 188 Tongzhou Road, Shanghai, the PRC	Carparking	1 car parking space	100
(2)	Room 201, No. 8 Building, No. 188 Tongzhou Road, Shanghai, the PRC	Residential	Gross floor area 228.29 sq.m.	100

FIVE-YEAR FINANCIAL SUMMARY

CONSOLIDATED INCOME STATEMENT

	Year ended 31st December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	8,666,901	1,630,055	2,100,937	2,309,123	1,866,465
Operating profit	293,969	186,831	203,763	209,659	479,927
Finance income – net	1,127	2,646	12,858	23,939	32,361
Share of results of jointly controlled entities	79,725	104,025	46,728	453,082	164,867
Share of results of associates	438,995	366,194	319,184	46,719	–
Gain on deemed disposal of partial interest in a jointly controlled entity	–	–	–	1,925,468	–
Net (loss)/gain on deemed disposal of partial interest in an associate	(768)	245,287	–	–	–
Gain on disposal of an associate	545,704	–	–	–	–
Profit before income tax	1,358,752	904,983	582,533	2,658,867	677,155
Income tax expense	(65,793)	(58,756)	(34,268)	(23,772)	(39,942)
Profit from continuing operations	1,292,959	846,227	548,265	2,635,095	637,213
(Loss)/profit from discontinued/discontinuing operations	–	–	–	(2,827)	25,840
Profit for the year	1,292,959	846,227	548,265	2,632,268	663,053
Profit attributable to:					
Equity holders of the Company	1,268,600	843,675	491,015	2,572,623	616,589
Non-controlling interests	24,359	2,552	57,250	59,645	46,464
	1,292,959	846,227	548,265	2,632,268	663,053

FIVE-YEAR FINANCIAL SUMMARY

CONSOLIDATED BALANCE SHEET

	As at 31st December				
		As restated			
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS					
Non-current assets					
Intangible assets	91,733	91,340	91,323	79,616	79,616
Property, plant and equipment	159,082	130,454	123,824	105,436	80,544
Prepaid premium for land leases	7,478	7,687	13,194	16,421	16,609
Investment properties	32,543	27,164	26,815	10,717	6,564
Jointly controlled entities	320,401	234,062	130,935	93,624	1,137,946
Associates	57,689	4,722,687	4,052,810	3,628,052	–
Available-for-sale financial assets	138,344	104,084	38,503	88,952	57,617
Deferred income tax assets	59,710	37,426	40,844	26,235	–
	866,980	5,354,904	4,518,248	4,049,053	1,378,896
Current assets	8,498,429	2,154,968	2,740,817	2,176,254	2,314,129
Total assets	9,365,409	7,509,872	7,259,065	6,225,307	3,693,025
CAPITAL AND RESERVES					
Share capital	151,107	151,070	148,967	147,803	145,052
Reserves	7,148,920	6,263,790	5,396,728	4,753,943	2,056,248
Total shareholders' equity	7,300,027	6,414,860	5,545,695	4,901,746	2,201,300
Non-controlling interests	230,201	200,712	241,373	217,517	246,700
Total equity	7,530,228	6,615,572	5,787,068	5,119,263	2,448,000
LIABILITIES					
Non-current liabilities					
Deferred income tax liabilities	13,216	8,636	8,363	798	85
Current liabilities					
Short-term borrowings	207,299	11,725	316,960	216,816	78,521
Other current liabilities	1,614,666	873,939	1,146,674	888,430	1,166,419
	1,821,965	885,664	1,463,634	1,105,246	1,244,940
Total liabilities	1,835,181	894,300	1,471,997	1,106,044	1,245,025
Total equity and liabilities	9,365,409	7,509,872	7,259,065	6,225,307	3,693,025
Net current assets	6,676,464	1,269,304	1,277,183	1,071,008	1,069,189
Total assets less current liabilities	7,543,444	6,624,208	5,795,431	5,120,061	2,448,085

Note: Certain comparative figures for 2009 have been restated as a result of the adoption of HKAS 17 (Amendment) in 2010, but no corresponding restatements were made to the figures prior to 2009.

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