# 中遠國際控股有限公司
# COSCO International Holdings Limited

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00517)**

## 2009 Annual Results

### RESULTS AND OPERATION HIGHLIGHTS

- Profit attributable to the equity holders was HK$843,675,000, increased by 72%. Excluding net gain on deemed disposal of partial interest in SOLHL arising from issue of new shares by SOLHL and profit contribution of SOLHL, profit attributable to the equity holders was up 42% to HK$243,907,000 on the same basis;

- Basic earnings per share, increased by 70% to 56.25 HK cents;

- Revenue decreased by 22% to HK$1,630,055,000. The decrease was mainly due to an imbalance between demand and supply in the global shipping market as a result of global economic recession, steep decline in international trade and the sluggish container shipping market negatively impacted the demand for container coatings;

- The cyclical changes of shipping services as compared with shipping industry are more stable and less fluctuated as the Group provides diversified shipping services. Coupled with a large amount of new build vessel delivery in 2009, profits of certain business segments of the Group achieved significant growth. As a result, profit before income tax from shipping services segment increased by 26% to HK$324,745,000;

- The Board has recommended a final dividend of 8.40 HK cents per share. Together with the interim dividend of 1.00 HK cent per share, the total dividend for 2009 will be 9.40 HK cents per share, representing a 27% increase;

- To actively expand into the business of trading and supply of marine fuel and related products, the Group acquired 18% equity interest in Double Rich by the end of April 2009 and set up Sinfeng in Singapore in November 2009. This laid a solid foundation for the Group's shipping services development in the long run.

The board of directors (the "Directors" or the "Board") of COSCO International Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2009.

## CONSOLIDATED INCOME STATEMENT
*For the year ended 31st December 2009*

| | Note | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| Revenue | 3 | **1,630,055** | 2,100,937 |
| Cost of sales | 5 | **(1,207,071)** | (1,465,536) |
| **Gross profit** | | **422,984** | 635,401 |
| Other income | 4 | **65,787** | 33,724 |
| Selling, administrative and general expenses | 5 | **(301,596)** | (360,265) |
| Other expenses | 5 | **(344)** | (105,097) |
| **Operating profit** | | **186,831** | 203,763 |
| Finance income | 6 | **10,716** | 28,127 |
| Finance costs | 6 | **(8,070)** | (15,269) |
| Finance income – net | 6 | **2,646** | 12,858 |
| Share of results of jointly controlled entities | | **104,025** | 46,728 |
| Share of results of associated companies | | **366,194** | 319,184 |
| Net gain on deemed disposal of partial interest in an associated company | 7 | **245,287** | – |
| **Profit before income tax** | | **904,983** | 582,533 |
| Income tax expense | 8 | **(58,756)** | (34,268) |
| **Profit for the year** | | **846,227** | 548,265 |
| **Profit attributable to:** | | | |
| Equity holders of the Company | | **843,675** | 491,015 |
| Minority interests | | **2,552** | 57,250 |
| | | **846,227** | 548,265 |
| **Dividends** | 9 | **142,006** | 110,142 |
| **Earnings per share attributable to the equity holders of the Company during the year** | | | |
| – basic, HK cents | 10(a) | **56.25** | 33.18 |
| – diluted, HK cents | 10(b) | **55.59** | 32.51 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31st December 2009*

| | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|
| **Profit for the year** | **846,227** | 548,265 |
| **Other comprehensive income** | | |
| Exchange translation differences | **6,260** | 253,750 |
| Exchange reserve realised upon dissolution of a subsidiary | **(33,721)** | – |
| Share of exchange differences of associated companies and jointly controlled entities | **116** | 2,270 |
| Share of fair value losses on available-for-sale financial assets of an associated company | **(2,637)** | (4,918) |
| Gain on revaluation of properties, net of deferred tax of HK$1,436,000 | **–** | 6,363 |
| Fair value gains/(losses) on available-for-sale financial assets | **65,581** | (51,731) |
| **Other comprehensive income for the year** | **35,599** | 205,734 |
| **Total comprehensive income for the year** | **881,826** | 753,999 |
| **Total comprehensive income attributable to:** | | |
| Equity holders of the Company | **878,948** | 683,270 |
| Minority interests | **2,878** | 70,729 |
| | **881,826** | 753,999 |

## CONSOLIDATED BALANCE SHEET
*As at 31st December 2009*

| | Note | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | | **91,340** | 91,323 |
| Property, plant and equipment | | **125,503** | 123,824 |
| Prepaid premium for land leases | | **12,638** | 13,194 |
| Investment properties | | **27,164** | 26,815 |
| Jointly controlled entities | | **234,062** | 130,935 |
| Associated companies | | **4,722,687** | 4,052,810 |
| Available-for-sale financial assets | | **104,084** | 38,503 |
| Deferred income tax assets | | **37,426** | 40,844 |
| | | **5,354,904** | 4,518,248 |
| **Current assets** | | | |
| Completed properties held for sale | | **342** | 2,631 |
| Inventories | | **342,079** | 356,735 |
| Trade and other receivables | *11* | **528,788** | 887,374 |
| Financial assets at fair value through profit or loss | | **678** | 239 |
| Current income tax recoverable | | **2,888** | 897 |
| Restricted bank deposits | | **7,104** | 118,963 |
| Deposits and cash and cash equivalents | | **1,265,557** | 1,373,978 |
| | | **2,147,436** | 2,740,817 |
| Asset held for sale | | **7,532** | – |
| | | **2,154,968** | 2,740,817 |
| **Total assets** | | **7,509,872** | 7,259,065 |
| **EQUITY** | | | |
| **Capital and reserves attributable to the Company's equity holders** | | | |
| Share capital | | **151,070** | 148,967 |
| Reserves | | **6,136,891** | 5,301,389 |
| Proposed dividends | | **126,899** | 95,339 |
| | | **6,414,860** | 5,545,695 |
| **Minority interests** | | **200,712** | 241,373 |
| **Total equity** | | **6,615,572** | 5,787,068 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Deferred income tax liabilities | | **8,636** | 8,363 |
| **Current liabilities** | | | |
| Trade and other payables | *12* | **846,077** | 1,128,321 |
| Current income tax liabilities | | **27,862** | 18,353 |
| Short-term borrowings | | **11,725** | 316,960 |
| | | **885,664** | 1,463,634 |
| **Total liabilities** | | **894,300** | 1,471,997 |
| **Total equity and liabilities** | | **7,509,872** | 7,259,065 |
| **Net current assets** | | **1,269,304** | 1,277,183 |
| **Total assets less current liabilities** | | **6,624,208** | 5,795,431 |

## NOTES

### 1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("HKAS") (collectively "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 at fair value through profit or loss, which are carried at fair value.

### 2 CHANGES IN ACCOUNTING POLICIES

#### (i) Adoption of new or revised HKFRS

In 2009, the Group has adopted the following new or revised HKFRS, which are relevant to its operations:

| | | Effective for accounting periods beginning on or after |
|---|---|---|
| HKAS 1 (Revised) | Presentation of Financial Statements | 1st January 2009 |
| HKAS 23 (Revised) | Borrowing Costs | 1st January 2009 |
| HKFRS 2 (Amendment) | Share-based Payment Vesting Conditions and Cancellations | 1st January 2009 |
| HKFRS 7 (Amendment) | Financial Instruments: Disclosures | 1st January 2009 |
| HKFRS 8 | Operating Segments | 1st January 2009 |
| HKFRSs (Amendments) | Improvements to HKFRSs* | 1st January 2009 |

* The Group adopted the amendments of HKFRS published by the HKICPA in October 2008, which are relevant to its operations, except for the amendments to HKFRS 5 which will be applied from 1st January 2010.

(1) HKAS 1 (Revised) prohibits the presentation of items of income and expenses, which are "non-owner changes in equity", in the statement of changes in equity. These items have to be presented separately from owner changes in equity and shown in a performance statement. The Group has elected to present two performance statements including an income statement and a statement of comprehensive income. The consolidated financial statements have been prepared under the revised disclosure requirements.

(2) HKAS 23 (Revised) requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediate recognition as expense of these borrowing costs is eliminated.

(3) HKFRS 2 (Amendment) clarifies the definition of "vesting conditions" and specifies the accounting treatment of "cancellations" by the counterparty to a share-based payment arrangement. Vesting conditions are service conditions (which require a counterparty to complete a specified period of service) and performance conditions (which require a specified period of service and specified performance targets to be met) only. All "non-vesting conditions" and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted. All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognised over the remainder of the vesting period is recognised immediately.

(4) HKFRS 7 (Amendment) requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

(5) HKFRS 8 requires a "management approach" under which segment information is presented on the same basis that is used for internal reporting purposes. The adoption of this has resulted in a number of changes and additional disclosures to the presentation of segmental information in the consolidated financial statements.

The adoption of the above and other HKFRS did not result in any substantial changes to the Group's accounting policies and had no material financial impact on the financial statements.

**(ii) New or revised standards, interpretations and amendments to published standards that are not yet effective**

The following new or revised standards, interpretations 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 2009 and have not been early adopted by the Group.

| | | **Effective for accounting periods beginning on or after** |
|---|---|---|
| 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 |
| HKFRS 9 | Financial Instruments | 1st January 2013 |
| HK(IFRIC)-Int 17 | Distributions of Non-cash Assets to Owners | 1st July 2009 |

In October 2008 and May 2009, the HKICPA has published Improvements to HKFRS which sets out amendments to a number of HKFRS which are effective for annual periods beginning on or after 1st July 2009 or 1st January 2010.

**(iii) Revised standard that is not yet effective, but has been early adopted by the Group**

The Group has adopted HKAS 24 (Revised) "Related Party Disclosures" relevant to the government-related entity exemption in 2009. The revised standard introduces a relaxation of the disclosure requirements of HKAS 24 for transactions among government-related entities and the government. Those disclosures are replaced with a requirement to disclose the name of the government and the nature of their relationship, the nature and amount of any individually-significant transactions, and the extent of any collectively-significant transactions qualitatively or quantitatively. It also clarifies the definition of a related party.

## 3 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:

| | 2009 | 2008 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Sale of coatings | **399,971** | 1,381,076 |
| Sale of marine equipment and spare parts | **444,334** | 454,646 |
| Commission income from ship trading agency | **151,564** | 130,700 |
| Commission income from insurance brokerage | **67,140** | 65,682 |
| Sale of marine fuel and other products | **45,565** | – |
| Sale of asphalt and other products | **515,340** | – |
| Sale of properties | **4,997** | 66,353 |
| Rental income | **1,144** | 2,480 |
| | **1,630,055** | 2,100,937 |

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 ("Jotun COSCO") |
| 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 associated company, Double Rich Limited ("Double Rich") |
| General trading | trading of asphalt and other products, and holding of investments in various jointly controlled entities and associated companies |
| Property investments | sale of completed properties held for sale and holding of investment in an associated company, Sino-Ocean Land Holdings Limited ("SOLHL") |

Although the marine fuel and other products segment does not meet the quantitative thresholds required by HKFRS 8, the management has considered that this segment should be separately reported, as it is expected to materially contribute to the Group's revenue in the future.

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. The accounting policies of the operating segments are consistent with those set out in the 2008 annual financial statements.

| | Year ended and as at 31st December 2009 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | 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 associated companies | – | – | – | – | 10,522 | 10,522 | 1,191 | 354,481 | – | 366,194 |
| Net gain on deemed disposal of partial interest in an associated company | – | – | – | – | – | – | – | 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 |
| Associated companies | – | – | – | – | 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 |

| | Year ended and as at 31st December 2009 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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* |
| **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** |

| | Year ended and as at 31st December 2008 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Shipping services | | | | | | | | |
| | Coatings | Marine equipment and spare parts | Ship trading agency | Insurance brokerage | 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* |
| **Profit and loss items:** | | | | | | | | | |
| Segment revenue | 1,381,076 | 455,182 | 131,220 | 65,870 | 2,033,348 | – | 67,886 | – | 2,101,234 |
| Inter-segment revenue | – | – | (109) | (188) | (297) | – | – | – | (297) |
| Revenue from external customers | 1,381,076 | 455,182 | 131,111 | 65,682 | 2,033,051 | – | 67,886 | – | 2,100,937 |
| Segment operating profit | 67,007 | 21,352 | 83,267 | 42,746 | 214,372 | – | 54,557 | 115 | 269,044 |
| Finance income | 1,466 | 1,357 | 6,860 | 1,152 | 10,835 | – | 5,590 | – | 16,425 |
| Finance costs | (14,061) | (99) | (822) | (214) | (15,196) | – | (16) | – | (15,212) |
| Share of results of jointly controlled entities | 43,787 | 2,941 | – | – | 46,728 | – | – | – | 46,728 |
| Share of result of an associated company | – | – | – | – | – | – | 319,184 | – | 319,184 |
| Segment profit before income tax | 98,199 | 25,551 | 89,305 | 43,684 | 256,739 | – | 379,315 | 115 | 636,169 |
| Income tax expense | (9,577) | (2,253) | (16,255) | (6,875) | (34,960) | – | 5,459 | – | (29,501) |
| Segment profit after income tax | 88,622 | 23,298 | 73,050 | 36,809 | 221,779 | – | 384,774 | 115 | 606,668 |

| | Year ended and as at 31st December 2008 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Shipping services | | | | | | | | |
| | Coatings *HK$'000* | Marine equipment and spare parts *HK$'000* | Ship trading agency *HK$'000* | Insurance brokerage *HK$'000* | Total *HK$'000* | General trading *HK$'000* | Property investments *HK$'000* | All other segments *HK$'000* | Total *HK$'000* |
| **Balance sheet items:** | | | | | | | | | |
| Total segment assets | 1,280,441 | 290,050 | 416,479 | 134,781 | 2,121,751 | 327,566 | 4,095,831 | 36,982 | 6,582,130 |
| Total segment assets include: | | | | | | | | | |
| Jointly controlled entities | 112,117 | 10,720 | – | – | 122,837 | 8,098 | – | – | 130,935 |
| Associated companies | – | – | – | – | – | 8,943 | 4,043,867 | – | 4,052,810 |
| Total segment liabilities | 638,013 | 129,468 | 269,552 | 55,569 | 1,092,602 | 213,659 | 1,247 | – | 1,307,508 |
| **Other items:** | | | | | | | | | |
| Depreciation and amortisation, net of amount capitalised | 11,133 | 766 | 780 | 503 | 13,182 | – | 5 | – | 13,187 |
| Fair value losses on investment properties | – | 3,600 | 757 | – | 4,357 | – | – | – | 4,357 |
| Gain on further acquisition and deemed acquisition of an associated company | – | – | – | – | – | – | 3,096 | – | 3,096 |
| Reversal of provision for land appreciation tax | – | – | – | – | – | – | 12,298 | – | 12,298 |
| Reversal of provision for property development cost | – | – | – | – | – | – | 6,128 | – | 6,128 |
| Provision for impairment of inventories, net of reversal | 27,233 | – | – | – | 27,233 | – | – | – | 27,233 |
| Provision for impairment of trade receivables, net of reversal | 51,636 | 5,451 | – | (35) | 57,052 | – | – | – | 57,052 |
| Additions to non-current assets (other than available-for-sale financial assets and deferred tax assets) | 25,410 | 1,556 | 12,073 | 463 | 39,502 | 25,839 | 2,301 | – | 67,642 |

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

| | **2009** *HK$'000* | 2008 *HK$'000* |
|---|---|---|
| Total for reportable segments | **961,625** | 636,054 |
| Other segments' profit before income tax | **3,727** | 115 |
| Elimination of inter-segment profit | **(69)** | (64) |
| Corporate finance income | **3,497** | 11,702 |
| Corporate finance costs | **(64)** | (57) |
| Corporate expenses, net of income | **(63,733)** | (65,217) |
| Total for the Group | **904,983** | 582,533 |

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

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Total for reportable segments | **7,017,350** | 6,545,148 |
| Other segments' assets | **103,002** | 36,982 |
| Corporate assets | **483,367** | 696,415 |
| Elimination of inter-segment receivables | **(2,047)** | (2,011) |
| Elimination of segment receivables from corporate headquarters | **(57,472)** | (6,597) |
| Elimination of corporate headquarters' receivables from segments | **(34,328)** | (10,872) |
| Total for the Group | **7,509,872** | 7,259,065 |

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

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Total for reportable segments | **910,498** | 1,307,508 |
| Corporate liabilities | **77,649** | 183,969 |
| Elimination of inter-segment payables | **(2,047)** | (2,011) |
| Elimination of corporate headquarters' payables to segments | **(57,472)** | (6,597) |
| Elimination of segment payables to corporate headquarters | **(34,328)** | (10,872) |
| Total for the Group | **894,300** | 1,471,997 |

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$576,702,000 (2008: HK$587,875,000) and HK$1,053,353,000 (2008: HK$1,513,062,000) 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$5,030,350,000 (2008: HK$4,256,843,000) and HK$183,044,000 (2008: HK$182,058,000) respectively.

## 4 OTHER INCOME

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Gain on disposal of property, plant and equipment | **–** | 126 |
| Fair value gains on investment properties | **7,864** | – |
| Gain on further acquisition and deemed acquisition of an associated company | **–** | 3,096 |
| Exchange reserve realised upon dissolution of a subsidiary | **33,721** | – |
| Reversal of provision for land appreciation tax | **–** | 12,298 |
| Reversal of provision for property development cost | **–** | 6,128 |
| 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** | 1,259 |
| Fair value gains on financial assets at fair value through profit or loss | **439** | – |
| Dividend income from listed and unlisted investments | | |
| – available-for-sale financial assets | **3,288** | 469 |
| – financial assets at fair value through profit or loss | **–** | 15 |
| Net exchange gains | **5,637** | – |
| Others | **3,476** | 10,333 |
| | **65,787** | 33,724 |

## 5 EXPENSES BY NATURE

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Cost of sales** | | |
| Cost of inventories sold | **1,204,394** | 1,445,159 |
| Cost of properties sold | **2,564** | 20,198 |
| Direct operating expenses for generating rental income | **113** | 179 |
| | **1,207,071** | 1,465,536 |
| **Selling, administrative and general expenses** | | |
| Selling expenses | **74,214** | 144,868 |
| Depreciation | **8,418** | 7,177 |
| Amortisation of prepaid premium for land leases | **568** | 568 |
| Operating lease rental expenses | **17,740** | 15,421 |
| Administrative staff costs | **120,918** | 119,896 |
| Auditors' remuneration | **3,920** | 3,745 |
| Others | **75,818** | 68,590 |
| | **301,596** | 360,265 |
| **Other expenses** | | |
| Loss on disposal of property, plant and equipment | **62** | – |
| Fair value losses on investment properties | **–** | 4,357 |
| Provision for impairment of inventories, net of reversal | **–** | 27,233 |
| Write-off of inventories | **282** | 371 |
| Provision for impairment of trade receivables, net of reversal | **–** | 57,052 |
| Fair value losses on financial assets at fair value through profit or loss | **–** | 369 |
| Net exchange losses | **–** | 15,715 |
| | **344** | 105,097 |

## 6 FINANCE INCOME – NET

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest income from: | | |
| – a fellow subsidiary | **347** | 18 |
| – a jointly controlled entity | **1,346** | 1,294 |
| – money market fund investments | **67** | 270 |
| – bank deposits | **8,956** | 26,545 |
| Total finance income | **10,716** | 28,127 |
| Interest expenses on bank and other loans wholly repayable within five years | **(6,297)** | (12,842) |
| Other finance charges | **(1,773)** | (2,427) |
| Total finance costs | **(8,070)** | (15,269) |
| Finance income – net | **2,646** | 12,858 |

## 7 NET GAIN ON DEEMED DISPOSAL OF PARTIAL INTEREST IN AN ASSOCIATED COMPANY

On 30th December 2009, SOLHL allotted and issued 934 million new shares to China Life Insurance Company Limited, which represents approximately 16.57% of the then enlarged share capital of SOLHL, 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%. This resulted in the Group recording a gain on deemed disposal of partial interest in an associated company of HK$269,008,000.

## 8 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the year.

The People's Republic of China (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% (2008: 25%) except for certain subsidiaries, which are taxed at reduced rates ranging from 15% to 20% (2008: 15% to 18%) based on different local preferential policies on income tax and approval by relevant tax authorities.

Singapore corporate tax has been calculated on the estimated assessable profit for the year at the rate of 17%.

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current income tax | | |
| – Hong Kong profits tax | **22,111** | 20,753 |
| – PRC enterprise income tax | **25,667** | 29,524 |
| – Singapore corporate tax | **10** | – |
| – Under/(over)-provision for Hong Kong profits tax in prior years | **257** | (431) |
| – Under/(over)-provision for the PRC taxation in prior years | **2,286** | (8,186) |
| Deferred income tax charge/(credit) | **8,425** | (7,392) |
| Income tax expense | **58,756** | 34,268 |

## 9 DIVIDENDS

### (a) Dividends attributable to the current year

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interim dividend paid of HK$0.01 (2008: HK$0.01) per ordinary share | **15,107** | 14,803 |
| Final dividend proposed of HK$0.084 (2008: HK$0.064) per ordinary share | **126,899** | 95,339 |
| | **142,006** | 110,142 |

At the board meeting held on 23rd March 2010, the directors proposed a final dividend of HK$0.084 per ordinary share for the year ended 31st December 2009. The proposed dividend has not been reflected as dividend payable in the financial statements for the year ended 31st December 2009, but will be reflected in the financial statements as an appropriation of retained profits for the year ending 31st December 2010.

### (b) Final dividend for the year ended 31st December 2008

During the year, a scrip dividend alternative was offered to shareholders who were entitled to the final dividend of HK$0.064 per ordinary share for the year ended 31st December 2008. 20,881,138 shares were issued to the shareholders who had elected to receive their entitlement to the final dividend in the form of scrip shares. A total of HK$26,494,000 cash dividend was paid to shareholders who had elected to receive the final dividend in cash.

## 10 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.

| | **2009** | 2008 |
|---|---|---|
| Profit attributable to the equity holders of the Company | **HK$843,675,000** | HK$491,015,000 |
| Weighted average number of ordinary shares in issue | **1,499,846,994** | 1,480,032,051 |
| Basic earnings per share | **56.25 HK cents** | 33.18 HK cents |

(b) Diluted earnings per share is calculated based on the weighted average number of shares in issue after adjusting for the potential dilutive effect in respect of outstanding share options.

| | **2009** | 2008 |
|---|---|---|
| Profit attributable to the equity holders of the Company | **HK$843,675,000** | HK$491,015,000 |
| Weighted average number of ordinary shares in issue | **1,499,846,994** | 1,480,032,051 |
| Adjustment for assumed issuance of shares on exercise of share options | **17,735,038** | 30,269,110 |
| Weighted average number of ordinary shares for diluted earnings per share | **1,517,582,032** | 1,510,301,161 |
| Diluted earnings per share | **55.59 HK cents** | 32.51 HK cents |

## 11 TRADE AND OTHER RECEIVABLES

As at 31st December 2009, trade and other receivables include trade receivables amounting to HK$391,722,000 (2008: HK$667,373,000).

As at 31st December 2009, the ageing analysis of trade receivables after provision is as follows:

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current – 90 days | **218,875** | 223,627 |
| 91 – 180 days | **71,330** | 255,622 |
| Over 180 days | **101,517** | 188,124 |
| | **391,722** | 667,373 |

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. Revenues from sale of properties and other operating revenue are billed according to the terms of the relevant contracts governing the transactions. Other than those with credit terms, all invoices are payable upon presentation.

## 12 TRADE AND OTHER PAYABLES

As at 31st December 2009, trade and other payables include trade payables amounting to HK$212,793,000 (2008: HK$215,215,000).

As at 31st December 2009, the ageing analysis of trade payables is as follows:

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current – 90 days | **198,254** | 96,330 |
| 91 – 180 days | **5,153** | 85,906 |
| Over 180 days | **9,386** | 32,979 |
| | **212,793** | 215,215 |

## OVERALL RESULTS ANALYSIS

The Group's profit attributable to the equity holders was HK$843,675,000 representing an increase of 72% as compared to HK$491,015,000 in 2008.

During the year, the decline in the Group's revenue and the lower gross profit margins of the newly added general trading and marine fuel and other products segments led to a reduction in the total gross profits earned from our operating subsidiaries. Despite this, the Group still managed to achieve an overall better financial results in 2009 when compared to 2008 due to the following major factors: firstly, the core business in shipping services segment reflected an impressive profit growth of the jointly controlled entity, Jotun COSCO. The Group's share of Jotun COSCO's profit rose 132% to HK$101,488,000 (2008: HK$43,787,000) as a result of the record high delivery of coatings for new build ship orders and lower raw material prices; and secondly, our non-core property investments segment reflected net gain on deemed disposal of partial interest in SOLHL of HK$245,287,000 principally as a result of issuance of new shares by SOLHL to a new shareholder ("Deemed Disposal Gain"); thirdly, profit contribution from SOLHL reached HK$354,481,000 (2008: HK$319,184,000) and represented a steadily increase over 2008; fourthly, profit contribution from the new marine fuel and other products segment added profit of HK$10,656,000 (2008: nil); and fifthly, as a result of the Group's ownership of the entire equity interests of COSCO International Ship Trading Company Limited ("COSCO Ship Trading") after the acquisition of 100% interests in 中遠國際貿易有限公司 (COSCO International Trading Company Limited) ("CITC") and the decline in the pre-tax profits of 中遠關西塗料化工（天津）有限公司 (COSCO Kansai Paint & Chemicals (Tianjin) Co., Ltd.), 中遠關西塗料化工（上海）有限公司 (COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd.) and 中遠關西塗料化工（珠海）有限公司 (COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd.) (collectively the "COSCO Kansai Companies") and the liquidated 上海鴻洋置業有限公司 (Shanghai COSCO Honour Property Development Limited) ("Shanghai Honour"), the amount of after-tax profits attributed to minority shareholders decreased. Excluding the Deemed Disposal Gain and the profit contribution from SOLHL of the non-core property investments segment, the Group's profit attributable to the equity holders would have been HK$243,907,000 (2008: HK$171,831,000), rose 42% as compared with 2008 on the same basis.

On earnings per share performance, basic earnings per share increased from 33.18 HK cents in 2008 to 56.25 HK cents in 2009.

## FINANCIAL REVIEW

### Revenue

The Group's revenue for 2009 decreased by 22% to HK$1,630,055,000 (2008: HK$2,100,937,000). Despite ship trading agency and insurance brokerage segments contributed relative stable revenues to the Group and Sinfeng Marine Services Pte. Ltd. ("Sinfeng"), a wholly-owned subsidiary of the Group newly incorporated in November 2009, started to contribute new source of revenue, segment revenue of the core business in shipping services dropped by 45% to HK$1,109,692,000 (2008: HK$2,033,051,000), and accounted for 68% (2008: 97%) of the Group's revenue. Such decrease was due to drastic fall in demand in the container shipping industry and decline in the container manufacturing industry since the fourth quarter of 2008. These had triggered a substantial contraction in the production and sale of container and industrial coatings.

With the acquisition of 100% equity interests in CITC which was mainly engaged in the sales of asphalt and other products in December 2008, full year's revenue of general trading segment of HK$515,366,000 was consolidated and accounted for 32% of the Group's revenue in 2009. Revenue derived from the property investments segment mainly represented sales of remaining properties of Fragrant Garden in Shanghai. With the Group's expansion into the marine fuel and other products and the general trading segments, revenue derived from property investments segment became minimal in 2009.

**Gross Profit and Gross Profit Margins**

The decrease in the Group's gross profit for 2009 by 33% to HK$422,984,000 (2008: HK$635,401,000) was largely attributed to decline in revenue from the coatings and property investments segments, which have been accounting for a major portion of the Group's revenue in 2008. The newly added general trading and marine fuel and other products segments, which accounted for 34% of the Group's revenue in 2009, had lower profit margins as compared to the existing segments. This substantial change in sales composition drove down the Group's overall profit margin by 4 percentage points to 26% (2008: 30%).

**Other Income**

Other income of HK$65,787,000 (2008: HK$33,724,000) comprised of exchange reserve realised upon completion of the dissolution of Shanghai Honour of HK$33,721,000 and reversals of provisions for impairment of trade receivables and inventories (net of provisions) of HK$11,356,000. These reversals were made as management considered the risks associated with the recoverability of accounts receivables and inventories had been largely reduced as a result of management's focused action to collect outstanding trade debts, control credit and the gradual stabilisation of economic environment.

**Other Expenses**

Other expenses for the year totalled HK$344,000 (2008: HK$105,097,000). Last year's amount mainly represented provisions for impairment of inventories and trade receivables (net of reversals) and net exchange losses incurred in our certain subsidiaries. The drastic decrease of other expenses in 2009 as compared to 2008 was due to these expense items recorded net credits and were therefore accounted for as other income this year.

**Selling, Administrative and General Expenses**

The Group's selling, administrative and general expenses recorded a 16% reduction in aggregation to HK$301,596,000 (2008: HK$360,265,000) when compared to 2008 among which selling expenses fell by 49% to HK$74,214,000 (2008: HK$144,868,000) which was in line with the decrease in revenue from coatings business. Administrative expenses rose by 6% to HK$227,382,000 in 2009 (2008: HK$215,397,000) as the Group started to consolidate the full year's administrative expenses of CITC.

**Operating Profit**

As mentioned above, owing to the decline in the Group's revenue, reduced overall gross margin as well as the significant reduction in selling expenses, the Group's operating profit only fell by 8% to HK$186,831,000 (2008: HK$203,763,000).

**Finance Income – Net**

The Group's finance income of totalling HK$10,716,000 (2008: HK$28,127,000) mainly comprised of interest income generated from cash deposits, money market fund investments and loan to a jointly controlled entity and finance costs included interest expenses on short term bank loans of HK$6,297,000 (2008: HK$12,842,000) and other finance charges of HK$1,773,000 (2008: HK$2,427,000). The decrease in both interest income and interest expenses were attributable to the lowering of deposit rates and borrowing rates during the year as well as the reduced level of the Group's cash and borrowings.

**Share of Results of Jointly Controlled Entities**

The Group's share of profits from jointly controlled entities rose by 123% to HK$104,025,000 (2008: HK$46,728,000). This amount mainly represented the profit contribution from Jotun COSCO of HK$101,488,000 (2008: HK$43,787,000). During the year, Jotun COSCO experienced strong sales growth due to record high delivery of coatings for new build ship orders which had been solicited over the preceding years and lower raw material prices.

**Share of Results of Associated Companies**

The Group's share of profits from associated companies increased by 15% to HK$366,194,000 (2008: HK$319,184,000). The Group's share mainly represented the profit contribution from SOLHL of HK$354,481,000 (2008: HK$319,184,000).

**Net Gain on Deemed Disposal of Partial Interest in an Associated Company**

The Group recorded a net gain on deemed disposal of partial interest in SOLHL of HK$245,287,000 principally due to the issuance of 934,000,000 new shares by SOLHL to a new shareholder on 30th December 2009.

**Income Tax Expense**

The Group's income tax expense for the year increased to HK$58,756,000 (2008: HK$34,268,000). Increase in income tax expense was mainly attributable to increased proportion of the Group's taxable income subject to PRC taxation, under-provision of PRC taxation in prior years of HK$2,286,000 (2008: over-provision of HK$8,186,000) and net deferred income tax charge of HK$8,425,000 (2008: net credit of HK$7,392,000) in respect of timing differences arising from certain income and expenses accrued by the Group's subsidiaries in the PRC.

**Profit Attributable to the Equity Holders**

The Group's profit attributable to the equity holders increased by 72% to HK$843,675,000 (2008: HK$491,015,000). If the Deemed Disposal Gain (HK$245,287,000 in 2009 and nil in 2008) and profit contribution from an associated company, SOLHL (HK$354,481,000 for 2009 and HK$319,184,000 in 2008) were excluded, the Group's profit attributable to the equity holders would have been HK$243,907,000 (2008: HK$171,831,000), rose 42% as compared with 2008 on the same basis.

## CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a prudent yet flexible approach towards financial management through 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 weather through the times of uncertainty and violatility.

For the year ended 31st December 2009, the Group financed its liquidity requirements by cash generated from operations, dividends from associated companies and repayment of loan by a jointly controlled entity amounted to HK$335,444,000, HK$50,689,000 and HK$50,376,000 respectively.

As of 31st December 2009, the Group's consolidated assets increased by 3% to HK$7,509,872,000 (2008: HK$7,259,065,000). Total liabilities decreased 39% to HK$894,300,000 (2008: HK$1,471,997,000). These figures reflected the Group's focus on reducing the levels of outstanding accounts receivable, accounts payable and outstanding bank loans in response to the more difficult operating environment.

Net assets value was HK$6,414,860,000 (2008: HK$5,545,695,000). The increase mainly represented retained profit for the year. Net assets value per share was HK$4.25 (2008: HK$3.72), up 14% over the end of 2008.

As at 31st December 2009, the Group's total bank borrowings decreased to HK$11,725,000 (2008: HK$316,960,000) whereas the Group's total cash in hand and committed yet unutilised standby facilities decreased by 15% to HK$1,272,661,000 (2008: HK$1,492,941,000) and increased by 180% to HK$1,081,493,000 (2008: HK$386,225,000) respectively. Deposits and cash and cash equivalents held by the Group accounted for 59% (2008: 50%) of the Group's total current asset.

Gearing ratio, which represents total borrowings over total assets, was 0.2% (2008: 4.4%).

### Debt Analysis

| | **31st December 2009** | | 31st December 2008 | |
|---|---|---|---|---|
| | ***HK$'000*** | *%* | *HK$'000* | *%* |
| Classified by maturity: | | | | |
| – repayable within one year | **11,725** | **100** | 316,960 | 100 |
| Classified by type of loan: | | | | |
| – unsecured | **11,725** | **100** | 316,960 | 100 |
| Classified by currency: | | | | |
| – Renminbi | **–** | **–** | 111,127 | 35 |
| – United States dollars | **11,725** | **100** | 188,933 | 60 |
| – Hong Kong dollars | **–** | **–** | 16,900 | 5 |
| | **11,725** | **100** | 316,960 | 100 |

As of 31st December 2009, the Group did not pledge any assets, other than restricted bank deposits, to banks as security for bank credit facilities (2008: nil). In addition, the Group had restricted bank deposits of HK$7,104,000 (2008: HK$118,963,000).

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 Singapore, 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 government of the PRC (the "PRC Government").

The Group continued 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 2009, 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 investment of surplus funds, the Group invests in highly liquid and secure investments and conduct investments with highly reputable financial institutions both in Hong Kong and China Mainland.

**Major Customers and Suppliers**

For the year ended 31st December 2009, aggregate sales to the five largest customers accounted for less than 30% (2008: less than 30%) of total revenue of the Group, while aggregate purchases from the five largest suppliers accounted for less than 30% (2008: less than 30%) of the total cost of sales of the Group.

**Employees**

As of 31st December 2009, excluding associated companies and jointly controlled entities, the Group had 646 (2008: 662) employees, of which 109 (2008: 107) are Hong Kong employees.

For the year ended 31st December 2009, total employee expenses, including directors' emoluments and provident funds, was HK$165,093,000 (2008: HK$172,246,000). 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 entities 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.

## FINAL DIVIDEND

The Board has recommended the payment of a final dividend of 8.40 HK cents per share (2008: 6.40 HK cents per share) for the year ended 31st December 2009. The proposed final dividend, together with the interim dividend of 1.00 HK cent per share, gives a total dividend of 9.40 HK cents per share (2008: 7.40 HK cents per share) for the whole year of 2009.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 28th May 2010 to Tuesday, 1st June 2010, both days inclusive, during which no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend for the year ended 31st December 2009, 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, 27th May 2010.

It is expected that the proposed final dividend will be payable to those entitled on or before Wednesday, 30th June 2010 subject to the shareholders' approval in the annual general meeting of the Company to be held on Tuesday, 1st June 2010.

## BUSINESS REVIEW

In 2009, under the global financial crisis, the steep decline in the shipping related markets resulted in difficult operating conditions for the Group which has been focusing on its core business in shipping services. Each business segment of the Group was affected in varying degrees and its operation and production faced a strong challenge. Surrounded by complicated and difficult situations, the Group confronted the crisis by upholding its established strategic development position and work objectives. In response to the challenges, the Group implemented various measures in a proactive way based on various business characteristics with flexible adjustments in various markets to overcome difficulties with every effort. With the efforts of all staff, the Group achieved overall comparatively satisfactory results under the prevailing circumstances. While strengthening the management of the existing business segments, including the key businesses such as ship trading agency services, marine insurance brokerage services, supply of marine equipment and spare parts, and production and sale of coatings, the Group tried its best to broaden its sources of income, reduce its expenditure, retain and develop customers, especially consolidating existing VIP customers with all its strength, through expansion with innovation and strengthening service mentality, and actively explored external markets, with certain achievements made. The impact of the market downturn was partially offset by the successful development of "new markets, new customers and new businesses". In spite of differing segment revenue changes experienced during the year, all business segments of the Group, among which production and sale of marine coatings and ship trading agency recorded significant profit growth, were able to record profits. Coupled with the profit contribution during the year from SOLHL, an associated company of the Company, the Group managed to achieve significant growth in its overall results during the year despite a difficult external economic environment. In terms of business expansion, the Group continuously implemented its strategic positioning initiative for its core business in shipping services and actively consolidated the development of its core business to seek for new development opportunities. During the year, the Group successfully expanded and entered into the business of trading and supply of marine fuel and related products. The Group completed the acquisition of 18% equity interest in Double Rich by the end of April 2009 and began to step into the business of trading and supply of bunker oil. In November 2009, Sinfeng was set up in Singapore to develop the business of trading and supply of marine fuel for customers other than COSCO and its subsidiaries (collectively the "COSCO Group"). The injection of the business of trading and supply of marine fuel and related products into the Group further consolidated and expanded its shipping services business platform, thus laying a solid foundation for its shipping services development in the long run.

### 1. Core Business – Shipping Services

During the year, there was an imbalance between demand and supply in the global shipping market as a result of global economic recession and steep decline in international trade. Shipping enterprises in turn cut capital expenditure, which resulted in steep decrease in global new build ship contracts and a downtrend in new build vessel prices. Shipping enterprises frequently requested to cancel orders or delay deliveries, consequently bringing up lots of uncertainties.

The global economy and shipping market were seriously affected by the unprecedented crisis, under which certain businesses of the Group suffered tremendous negative impacts. The container coating business, in particular, recorded sharp decline. Despite that, as the Group provides diversified shipping services, the Group benefited from the prosperous growth of the shipping market and shipbuilding market in the previous few years and recorded high volume of global new build vessel delivery in 2009, presenting the Group with opportunities and favourable factors. According to the statistic data released by Clarkson Research Services Limited, the global new build vessel delivery volume amounted to 116 million dead weight tonnages in 2009, representing an increase of 27% as compared to 2008, of which new build vessel delivery volume from China shipyards increased by 66.5% to 35.3 million dead weight tonnages. The Group took advantage of the large amount of new build vessel delivery in 2009 to achieve significant growth in its sale of marine coating business and ship trading agency business, and initiated effective measures to fully implement the "new markets, new customers and new businesses" expansion strategy and the profit oriented operating objectives, with the aim of offsetting the contraction and loss of certain existing businesses. As a result, the Group achieved breakthrough in its businesses.

In 2009, the Group's segment revenue from the shipping services decreased by 45% to HK$1,109,692,000 (2008: HK$2,033,051,000) as compared to 2008, which was mainly due to a significant decrease in the container coating business. Profit before income tax from shipping services segment was HK$324,745,000 (2008: HK$256,739,000), increased by 26% as compared to 2008.

### *1.1 Ship Trading Agency Services*

COSCO Ship Trading, a wholly-owned subsidiary of the Company, is engaged in provision of exclusive agency services relating to shipbuilding and ship trading and agency services relating to chartering for the fleet of the COSCO Group, as well as similar agency services to non-COSCO Group shipping companies. COSCO Ship Trading mainly derives its revenue from agency services. In the case of new build vessels, COSCO Ship Trading is paid commissions by shipbuilders according to the relevant contracts. As for the trading of second-hand vessels, commissions are paid according to the contracts after the vendors have delivered vessels to buyers.

Although the number of new build vessel contracts decreased sharply during the year, the volume of global new build vessel delivery was huge as ship trading agency business benefited from the prosperous growth of the shipping market and shipbuilding market in the previous few years. The new build vessels ordered through COSCO Ship Trading are scheduled to be delivered in the coming three to four years. Some cases of delayed new build vessel delivery or cancellation of certain new build ship orders during the year did not have a great effect on the whole. A number of new build vessels were built and delivered, thus resulting in a solid growth in commission income from the Group's ship trading agency services. While providing services for the building up of the COSCO Group's fleet, COSCO Ship Trading also actively develops the ship trading agency business with non-COSCO Group shipping companies. COSCO Ship Trading had established long term and good cooperation relationship with domestic and international shipping companies, shipbuilders and ship brokers, and regularly released market information to provide value-added services to the customers. COSCO Ship Trading also seized the opportunities to develop the second-hand vessel and retired vessel markets, of which the second-hand vessel business achieved a breakthrough. COSCO Ship Trading consummated transactions for the sale and purchase (including new build vessels and second-hand vessels) of 64 vessels in 2009, increased by 5 vessels compared with 59 vessels in 2008.

During the year, segment revenue from ship trading agency services increased by 16% to HK$151,953,000 (2008: HK$131,111,000), as compared to 2008, and segment profit before income tax was HK$116,167,000 (2008: HK$89,305,000), representing an increase of 30% as compared to 2008.

### *1.2 Marine Insurance Brokerage Services*

COSCO (Hong Kong) Insurance Brokers Limited ("HK COSCO Insurance Brokers"), a wholly-owned subsidiary of the Company, is accredited with the qualification Lloyd's broker accreditation and mainly operates intermediary businesses in relation to marine insurance and shipowners' liability insurance outside China Mainland. 深圳中遠保險經紀有限公司 (Shenzhen COSCO Insurance Brokers Limited) ("SZ COSCO Insurance Brokers"), a non-wholly owned subsidiary of the Company, is engaged in provision of insurance brokerage services to the vessels registered in China Mainland.

The global marine insurance market was significantly affected under the financial crisis. Insurance companies generally raised premium and shipping enterprises took stringent measures to control costs, which presented difficulties for marine insurance brokerage business. The downturn in shipping market also led to a considerable decrease in vessel chartering volume, which greatly reduced charterers' liability insurance business, one of the major businesses of the marine insurance brokerage. Confronted with the difficulties, HK COSCO Insurance Brokers and SZ COSCO Insurance Brokers (collectively the "COSCO Insurance Brokers") retained existing customers with their devoted efforts by provision of value-added services as an enhanced service, and innovated their operation model with great achievements in the development of hull and machinery co-insurance business in China Mainland. COSCO Insurance Brokers successfully concluded business for COSCO Group's 54 vessels registered in China. COSCO Insurance Brokers also actively procured new customers outside the COSCO Group and successfully secured 5 new customer bases in 2009, including regional shipping companies and power companies in China. By exploring new customers and new businesses, the negative effect brought by the prevailing market predicament has been offset. COSCO Insurance Brokers achieved good results.

During the year, segment revenue from marine insurance brokerage services was HK$67,140,000 (2008: HK$65,682,000), representing a slight increase of 2% as compared to 2008. Segment profit before income tax was HK$47,659,000 (2008: HK$43,684,000), up by 9% as compared to 2008.

### *1.3 Supply of Marine Equipment and Spare Parts*

Yuantong Marine Service Co. Limited ("Yuantong"), a wholly-owned subsidiary of the Company, is principally engaged in the sale and installation of marine equipment and spare parts for existing and new build vessels, as well as oil drilling project at sea, communications systems, shore-based AIS systems, vessel traffic management systems and information management systems for land users.

During the year, Yuantong faced pressure from both a sluggish market and increasingly keen competition. On the one hand, various shipping companies implemented a policy of stringent cost control in 2009 and spare parts were most severely affected as procurement volume was reduced sharply. On the other hand, many equipment manufacturers set up sales outlets in China Mainland for the sake of direct sale due to high business pressure. In this regard, Yuantong carried out research and analysis to implement a series of effective measures in response to the situation. They included maintaining and increasing its market share with every effort by forging closer communication and relationship with big customers and further understanding customers' needs; actively developing its sales channels to promote domestic-made spare parts to overseas market; and expanding into new markets for new business opportunities. Yuantong was well positioned for further business development by successfully stepping into the port machinery spare parts supply market. In addition, some delivery of the new build vessel equipment business in 2009 based on the orders of previous years did offset the effect of the decrease in the spare parts business.

During the year, segment revenue from supply of marine equipment and spare parts was HK$445,063,000 (2008: HK$455,182,000), representing a slight decrease of 2% as compared to 2008. Segment profit before income tax was HK$37,139,000 (2008: HK$25,551,000), representing an increase of 45% as compared to 2008. During the year, Yuantong recorded fair value gains on investment properties of HK$4,000,000 (2008: fair value losses of HK$3,600,000) and reversal of provision for impairment of trade receivable, net of provision, of HK$855,000 (2008: provision for impairment of trade receivables, net of reversal, of HK$5,451,000) upon collection of trade debts.

### *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, all being non-wholly owned subsidiaries of the Company, 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 the international coating producer Jotun A/S, Norway, is principally engaged in the production and sale of marine coatings.

During the year, segment revenue from production and sale of coatings was HK$399,971,000 (2008: HK$1,381,076,000), representing a decrease of 71% as compared to 2008. The decrease was due to a steep decline in the sale of container coatings. Although revenue decreased, sales results and profit contribution of sale of marine coating business were more satisfactory than 2008, segment profit before income tax was HK$113,114,000 (2008: HK$98,199,000), representing an increase of 15% as compared to 2008.

#### *1.4.1 Container Coatings*

COSCO Kansai Companies have established coating plants in Zhuhai, Shanghai and Tianjin respectively. These three coating plants are located in the three most economically developed regions in China, respectively the Pearl River Delta, the Yangtze River Delta and the Pan-Bohai Rim Area with a total production capacity of 100,000 tonnes. Hampered by the sustained depression in the container shipping market, orders for new containers in 2009 decreased sharply and some container manufacturing plants stopped their production because of lack of orders. In 2009, only about 270,000 TEUs of container were produced by container manufacturers in China, representing a decrease of 89% as compared with 2008. The sharp fall in demand for containers led to a significant drop in demand for container coatings, which resulted in a steep decline in container coating orders placed with COSCO Kansai Companies in 2009. During the year, total sales volume of container coatings for COSCO Kansai Companies amounted to 3,835 tonnes, representing a significant decrease of 92% as compared with 51,034 tonnes in 2008.

*1.4.2 Industrial Heavy-Duty Anti-Corrosion Coatings*

The industrial heavy-duty anti-corrosion coatings of COSCO Kansai Companies are primarily involved with the industries of bridges, oil storage tanks, port machinery and equipment, nuclear energy, wind energy and specialised vehicles. Confronted with a crisis, COSCO Kansai Companies formulated the objectives to accelerate the pace of adjustment in product mix and make greater effort to explore the industrial coating market in 2009 and commenced many preliminary works. COSCO Kansai Companies secured the confidence of some long term customers, thus laying a solid foundation for future development. Nevertheless, COSCO Kansai Companies recorded sales volume of industrial heavy-duty anti-corrosion coatings of 7,087 tonnes (2008: 10,091 tonnes) during the year, representing a decrease of 30% as compared to 2008, as a result of some industrial coating projects were suspended or delayed due to recession in the global economy and reduction of the export equipment in China, as well as intensified competition in the industry.

In addition, the independent research base and analysis centre set up by COSCO Kansai Paint & Chemicals (Tianjin) Co., Ltd. ("COSCO Kansai (Tianjin)") was awarded a "High-tech Enterprise Certificate" during the year. COSCO Kansai (Tianjin) was entitled to a preferential enterprise income tax rate of 15% commencing 2009 for a term of three years.

*1.4.3 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, despite a reduced demand for coatings for repair and maintenance as a result of the vessel repairing business being affected by the market conditions of the shipping market, numerous new build vessels were delivered owing to the prosperous development in the China shipbuilding market over the past few years, while market exploration efforts paid off in a relatively significant scale. Both boosted the sales volume of marine coatings of Jotun COSCO to 64,000,000 litres (equivalent to approximately 92,800 tonnes) (2008: 49,665,000 litres, equivalent to approximately 72,014 tonnes), representing an increase of 29% as compared to 2008. Among which, sales volume of new build vessel coatings amounted to 46,480,000 litres, which fulfilled the supply of coatings to new build vessels aggregating 9,550,000 dead weight tonnages, representing an increase of 54% in sales volume as compared to 2008. Sales volume of coatings for repair and maintenance was 14,850,000 litres, dropped by 10% as compared to 2008. As at 31st December 2009, Jotun COSCO had coating contracts on hand for new build vessels with 34,000,000 dead weight tonnages pending for delivery.

During the year, share of result of Jotun COSCO was HK$101,488,000 (2008: HK$43,787,000), increased by 132% as compared to 2008, which offset the negative impact of reduced demands for container coatings on results from production and sale of coatings segment.

### *1.5 Trading and Supply of Marine Fuel and Related Products*

Sinfeng, a wholly-owned subsidiary of the Company established in Singapore, is primarily engaged in provision of marine fuel supply, trading of marine fuel and related products and broker services for customers from non-COSCO Group. Sinfeng has established extensive and good business cooperation relationship with the famous international oil companies, shipping companies and shipowners of which have representative offices in the region. Currently, its business network primarily covers Singapore and Malaysia, major ports in the Far East region such as Hong Kong, Shanghai and Qingdao; as well as major ports in European and American regions, such as Rotterdam, New York and Long Beach, etc. The setting up of Sinfeng signifies that the Group is determined to expand into the business of marine fuel supply and trading, which will further enlarge the size and scope of the shipping services of the Group.

Since Sinfeng has been established on 18th November 2009, its total sales volume of marine fuel and related products amounted to 11,960 tonnes. Segment revenue from trading and supply of marine fuel and related products was HK$45,565,000. Segment profit before income tax was HK$10,666,000.

In addition, the Group completed the acquisition of 18% equity interest in Double Rich by the end of April 2009. Double Rich is principally engaged in trading of fuel oil 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 main customers or end users are shipowners and ship operators. During the year, the profit of Double Rich attributable to the Group was HK$10,522,000.

## 2. General Trading

CITC became a wholly-owned subsidiary of the Company since December 2008. 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 trade. It has steady suppliers and stable market share, which will generate synergies with the Group's shipping services business, serving an important platform for the Group to tap into the China Mainland's market.

In 2009, as both global and China economies gradually recovered from the financial crisis, international crude oil price and fuel oil price showed upward trends with big volatility. With buoyant market demands in 2009, the price of domestic manufactured and imported asphalt was significantly boosted accordingly. This led to an enormous price pressure and profit uncertainty with regard to asphalt bidding business. Besides, the huge demand for resources in the asphalt market drained supply and added to the already intensified competition in the market. CITC managed to maintain its existing market share and actively explored new markets under this unprecedentedly keen market competition and resources pressure, and achieved solid sales volume of asphalt in 2009 despite adverse market conditions. During the year, segment revenue from general trading was HK$515,366,000. Segment profit before income tax was HK$731,000.

## 3. Property Investments

In 2009, the segment revenue from property investments was HK$4,997,000 (2008: HK$67,886,000), decreased by 93% as compared to 2008, which was derived from the sale of 12 carparking spaces in Fragrant Garden in Shanghai. However, the Group had a significant and stable share of profit from the equity investment in SOLHL. As a result, segment profit before income tax was HK$636,149,000 (2008: HK$379,315,000), which mainly came from the profit contribution of SOLHL, an associated company of the Company, representing an increase of 68% as compared to 2008.

### *3.1 Investment in SOLHL*

As at 31st December 2009, the Group held 16.85% equity interest in SOLHL, the shares of which were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). SOLHL held 100% interest in Sino-Ocean Land Limited ("SOLL").

SOLL is one of the well known property 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. Besides with a leading position in Beijing and the Pan-Bohai Rim Area, SOLL also expands into the regions with rapid economic growth such as the Pearl River Delta and the Yangtze River Delta. Benefited from the PRC Government's implementation of appropriately loose monetary policy which supported credit extension, and with the influx of international funds into China's real estate market, the boom in property price was further accelerated, and the year 2009 saw a significant increase in sales area and sales volume of commodity housing throughout China Mainland. During the year, the Group's share of profit from SOLHL was HK$354,481,000 (2008: HK$319,184,000), increased by 11% as compared to 2008.

## PROSPECTS

The global economy is expected to step out of recession in the year 2010, while international trade volumes shall regain growth momentum as world economy recovers. Despite this, there are still uncertainties lurking in the path of a general recovery of the world economy and the recovery will be limited in pace and cautious-minded. Full economic recovery is therefore expected to be a long journey. In China, the upward trend of its economy continues to flourish, accompanied by the reinforced efforts and further implementation of government policies to boost domestic demands and improve people's livelihood. People's confidence in the China market will gradually be reinforced. However, there are still many factors that influence and complicate the situation and many difficulties and challenges remain. In conclusion, although a number of uncertainties still exists, the overall market trend is nonetheless favourable.

In the first year of the post-financial crisis era, the imbalance in supply and demand of the shipping market is estimated to continue. The large number of new build vessels ordered by shipowners in the previous few years when the shipping market was at its peak, has begun to be delivered in recent years. The resulting overcapacity creates an imbalance situation that is likely to extend over a period of time longer than that required for the recovery of international trade volumes. Owing to this, new shipbuilding contracts around the world in 2010 may not increase significantly compared to 2009, it is expected to stay at certain low levels for some time. The overall shipping market may continue to recover, but this will be accompanied by intensifying competition. Nevertheless, the PRC Government's continued initiatives to stimulate the economy and the promulgation of policies such as the "Plan for Readjustment and Revitalization of the Shipping Building Industry" may help stabilise the shipping industry and shipbuilding industry in a broader context. In addition, given the backlogs of orders from previous times, this and the coming year will be the peak period for new build vessel delivery. These factors shall be favourable to the Group, as the core businesses are based upon the shipping services industry.

Under such uncertainties, the prospects of the industry are challenging but not short of opportunities. There will be difficulties as well as favourable conditions. The Group, together with its various shipping services subsidiaries, will closely monitor the relevant market dynamics and carry out timely adjustments in an appropriate manner in order to create larger value for shareholders. Specific measures are as follows:

For ship trading agency services, as affected by the credit crunch and overcapacity of shipping sector, the slump in shipbuilding market around the world will continue. Meanwhile, the revival in the shipping market and optimistic views concerning future economic development led to increasingly active trading in second-hand vessels and new vessel resale markets. The "Plan for Readjustment and Revitalization of the Shipping Building Industry" announced by the PRC Government in June 2009 is expected to relieve the current difficulties in ship financing and such efforts will prove beneficial to the stable development of the shipbuilding market. Confronted with this difficult situation in the global ship trading market of 2010, COSCO Ship Trading will, on the one hand, coordinate with the shipowners and shipyards with every effort to ensure effective execution of the existing contracted orders. On the other hand, it will seize the new opportunities arising in the active markets of new vessel resale, second-hand vessels and vessel dismantling. In the meantime, exploration of business activities with non-COSCO Group companies will develop new business channels and business drivers. Our overall service quality will be improved by further enhancing and strengthening internal management. COSCO Ship Trading will continue to expand into new businesses in ship trading agency to create better operating results.

For marine insurance brokerage services, despite a slight improvement in the global shipping market, where signs of rental reversal and bottoming out of vessel price have appeared, such improvements are still insufficient to induce shipowners to consider raising their insured sums. Therefore, commission income from existing business is not expected to increase in 2010. Nevertheless, demand for marine insurance will increase in line with the increased volume of new build vessel delivery. Confronted with intensifying market competition, COSCO Insurance Brokers will, while consolidating its existing business with stable development, strengthen efforts in expanding business and procuring new customers, strive to breakthrough with respect to hull and machinery co-insurance, and actively pursue markets for new insurance products. COSCO Insurance Brokers will also enhance marketing capabilities, strengthen risk management and reduce costs, in order to achieve greater operating results. Furthermore, COSCO Insurance Brokers will continue to position itself appropriately for the development of insurance brokerage business of newly delivered vessels of COSCO Group, and put more efforts in developing business with potential customers such as regional shipping companies.

For supply of marine equipment and spare parts, shipping companies around the world are still confronted with varying degrees of cost pressure. As such, their policy of stringent cost control is expected to continue in 2010 and the procurement of spare parts will reduce accordingly, which means market demand for marine spare parts will hardly recover. In order to maintain market share under the market downturn and keen competition, Yuantong will further optimise its customer management policy to strengthen efforts in maintaining and expanding customer base, while improving the level and efficiency of its services. Apart from designated marine equipment and spare parts supply services, Yuantong will take initiative in providing various integrated services, including technological solution, procurement planning, product portfolio, technological service and delivery logistics, etc., with a view to gaining additional competitive advantages. At the same time, Yuantong plans for the setting up of new network for overseas spare parts supply business and will forge closer relationship with shipowners and shipyards in order to explore more business opportunities outside the COSCO Group. Manufacturers' discounts will be sought on the principle of mutual benefits in order to effectively enhance the gross profit margin of its businesses, thus maximising its profit. In addition, Yuantong will be integrated with other businesses of the Group for better synergies in order to further explore business opportunities in the China Mainland's market.

For production and sale of coatings, international trade volumes will gradually grow in 2010 as a slow recovery in the real economies of many countries is underway. The idle rate of container vessels may still be high, but actual utilisation volumes of containers have already bottomed out. Given the concerns over trading prospects, container owners remain cautious. Therefore, the manufacture volume of containers will gradually increase but there will not be any manufacturing plans with considerable volume. As the competition in the container coating market become more intense, COSCO Kansai Companies will strive to reduce procurement costs, strengthen internal management, optimise business operation process and enhance market competitiveness. In addition, COSCO Kansai Companies will well prepare themselves for quick capture of opportunities once the market regains momentum by continuously maintaining a close relationship with key customers and excelling at expanding their market share. For industrial heavy-duty anti-corrosion coatings, it is expected that the industrial heavy-duty anti-corrosion coating market in China will steadily grow driven by China's economic recovery and the implementation of a series of domestic demand boosting and infrastructure policies in China Mainland. The larger infrastructure construction scale will drive the demands for industrial coatings used in machinery equipment and ancillary industries. Furthermore, new energy industry is expected to go through a period of rapid growth under China's new policy planning on the development of that industry, demands for coatings used in nuclear power and wind power generation will ramp up significantly. COSCO Kansai Companies will focus on development of industrial heavy-duty anti-corrosion coating products by enhancing technological absorption as well as research and development, while efforts will be made to increase technological reserve. COSCO Kansai Companies will also monitor market changes closely to carry out timely adjustments on its product mix, while putting in more efforts on new featured businesses such as industry heavy-duty anti-corrosion coatings for bridges, oil storage tanks as well as wind and nuclear power generators. For marine coatings, after taking into account the supply and demand dynamics in the international shipping market, an extended period of time is still required for the shipping market to recover. Generally speaking, it is expected that overall market demand for coatings for new build vessels will be relatively stable, since new build vessels ordered in the past are scheduled to be delivered in the coming two to three years. Facing keen market competition, risks of order cancellation and requests for delay in vessel delivery, Jotun COSCO will grasp the contracted orders for coatings for new build vessels, at the same time it will improve upon its marketing and customer relationship maintenance, enhance the quality of its service teams and enhance marketing efforts to seek new orders. Leveraging on the new establishment of Jotun COSCO Marine Coatings (Qingdao) Co. Ltd. (中遠佐敦船舶塗料（青島）有限公司), Jotun COSCO will properly schedule its orders and production capacity. By imposing strict control on production quality and continuous improvement of service quality, Jotun COSCO's position in China's marine coating market will be further consolidated and enhanced.

The Group commenced its business of trading and supply of marine fuel and related products in 2009, the development of such business will further enhance the existing shipping services business segments of the Group. In 2010 and in the foreseeable future, the Group will strengthen its efforts in expanding its core customer base and increase the market share of Sinfeng in the trading supply of marine fuel oil market, in order to make it an integral part of the Group's shipping services platform.

The "dual-wheel driven (雙輪驅動)" development strategy employed by the Group seeks to excel at the production and operation of various business units and consolidate existing businesses. At the same time, strategic research and development will be conducted to explore future development direction based on the development strategies of the Group. The Group will also explore quality projects to establish its core competitiveness, actively implement proactive capital management and identify opportunities to expand into the market inside and outside the COSCO Group, with the aim of expanding the operation scale of the Group's core business in shipping services. Through expanding the service network and enhancing the overall competitive strength of the shipping services business, the Group will realise sustainable and better development.

In addition, the Group will strengthen its safety management to ensure stable and safe production 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. We will also strive to further strengthen the synergies between business units through business restructuring within the Group. Therefore, the overall capability of creating profit of the Group can be enhanced.

Overall, under the full support of COSCO and COSCO (Hong Kong) Group Limited, the Group aims to build a strong reputation and outstanding brand awareness in shipping services industry on the backup of a steadily growing China shipping services industry, and become a specialised and leading shipping services provider in the industry by providing customers with diversified professional services.

## SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31st December 2009 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

## 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 2009.

## 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 Rules Governing the Listing of Securities on the Stock Exchange (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 important 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 2009. 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 Independent Non-executive Directors to be independent.

The Company has adopted a code of conduct regarding securities transactions of Directors and employees (the "Securities Code") no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. The Securities Code has been revised, inter alia, in accordance with the relevant amendments of the Model Code with effect from 1st January 2009 in relation to the imposition of a time limit on an listed issuer to respond to a director's request to deal and on the director to deal (if he so chooses) once clearance is given and with effect from 1st April 2009 regarding an extension of the black out period. In order to ensure Directors' dealing 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 Securities Code during the year ended 31st December 2009, all Directors confirmed that they have complied with the required standards set out in the Securities Code during the year.

By Order of the Board
**COSCO International Holdings Limited**
**Wang Xiaodong**
*Managing Director*

Hong Kong, 23rd March 2010

*As at the date of this announcement, the Board comprises thirteen directors with Mr. Zhang Fusheng (Chairman), Mr. Wang Futian (Vice Chairman), Mr. Liang Yanfeng, Mr. Wang Xiaoming, Mr. Wang Xiaodong (Managing Director) and Mr. Lin Wenjin as executive directors; Mr. Li Jianhong, 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.*