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

(Incorporated in Bermuda with limited liability)
(Stock Code: 00517)

2010 ANNUAL RESULTS

RESULTS AND OPERATION HIGHLIGHTS

- Profit attributable to the equity holders was HK$1,268,600,000, representing an increase of 50%. Excluding (1) the share of profit of SOLHL, (2) the one-off gain recognised in relation to the disposal of entire 16.85% interest in SOLHL and (3) net loss/gain on deemed disposal of partial interest in SOLHL as a result of new shares issued by SOLHL, profit attributable to the equity holders increased by 18% to HK$287,144,000 on the same basis.

- Basic earnings per share increased by 49% to 83.97 HK cents.

- Revenue increased by 432% to HK$8,666,901,000. As a result of global economic recovery and reactivation of international trade, each of the Group's core shipping services business achieved revenue growth of varying degrees, especially the significant rebound in sales volume and revenue of container coatings and the substantial revenue contribution by the newly established trading and supply of marine fuel and related products business. Segment revenue from shipping services increased significantly by 628% to HK$8,078,336,000, and segment profit before income tax from shipping services increased by 26% to HK$409,909,000.

- The Board has recommended a final dividend of 3.00 HK cents per share and a special dividend of 35.00 HK cents per share. Together with the interim dividend of 2.00 HK cents per share, the total dividend for the year 2010 was 40.00 HK cents.

- Completion of the disposal of 16.85% equity interests in SOLHL, being a non-core business, provides the Group with abundant capital so as to focus itself on the development of its core business of shipping services.

- In pursuing the expansion of the overseas marine equipment and spare parts supply business, the Group established Shin Chung Lin in Japan, acquired Xing Yuan and expanded the business scope of Shanghai Yuantong. The Group successfully established an Asia Pacific based equipment supply network covering Hong Kong, Singapore, Japan and China Mainland which laid a solid foundation for the Group's future revenue and profit growth in the shipping services segment.

The board of directors (the "Directors" or the "Board") of COSCO International Holdings Limited (the "Company" or "COSCO International") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2010.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2010

	Note	**2010**	2009
		HK$'000	*HK$'000*
Revenue	3	**8,666,901**	1,630,055
Cost of sales	5	**(7,951,725)**	(1,207,071)
Gross profit		**715,176**	422,984
Other income	4	**35,994**	65,787
Selling, administrative and general expenses	5	**(451,910)**	(301,596)
Other expenses	5	**(5,291)**	(344)
Operating profit		**293,969**	186,831
Finance income	6	**10,332**	10,716
Finance costs	6	**(9,205)**	(8,070)
Finance income – net	6	**1,127**	2,646
Share of results of jointly controlled entities		**79,725**	104,025
Share of results of associates		**438,995**	366,194
Net (loss)/gain on deemed disposal of partial interest in an associate	7	**(768)**	245,287
Gain on disposal of an associate	8	**545,704**	–
Profit before income tax		**1,358,752**	904,983
Income tax expense	9	**(65,793)**	(58,756)
Profit for the year		**1,292,959**	846,227
Profit attributable to:			
Equity holders of the Company		**1,268,600**	843,675
Non-controlling interests		**24,359**	2,552
		1,292,959	846,227
Earnings per share attributable to the equity holders of the Company during the year			
– basic, HK cents	10(a)	**83.97**	56.25
– diluted, HK cents	10(b)	**82.51**	55.59
		HK$'000	*HK$'000*
Dividends	11	**604,421**	142,006

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2010

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

CONSOLIDATED BALANCE SHEET
As at 31st December 2010

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

NOTES

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

2 CHANGES IN ACCOUNTING POLICIES

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

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

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

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

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

(1) HKAS 17 (Amendment) deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under 'Leasehold land and land use rights', and amortised over the lease term. HKAS 17 (Amendment) has been applied retrospectively for annual periods beginning 1st January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1st January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease. Since the property interest is held for own use, that land interest classified as finance lease is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the shorter of the useful life of the asset and the lease term.

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

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

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

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

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

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

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

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

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

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

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

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

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

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:

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

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

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

Reportable segments	Business activities
Coatings	production and sale of coatings, and holding of investment in a jointly controlled entity, Jotun COSCO Marine Coatings (HK) Limited ("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 associate, Double Rich Limited ("Double Rich")
General trading	trading of asphalt and other products, and holding of investments in various jointly controlled entities and associates
Property investments	sale of completed properties held for sale and holding of investment in an associate, Sino-Ocean Land Holdings Limited ("SOLHL"), which was disposed on 21st December 2010

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

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

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

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

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

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

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

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

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

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

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

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

4 OTHER INCOME

	2010	2009
	HK$'000	*HK$'000*
Gain on disposal of property, plant and equipment	**197**	–
Fair value gains on investment properties	**5,347**	7,864
Negative goodwill recognised upon acquisition of a subsidiary	**684**	–
Exchange reserve realised upon dissolution of a subsidiary	**–**	33,721
Reversal of provision for impairment of inventories, net of provision	**–**	8,545
Reversal of provision for impairment of trade receivables, net of provision	**–**	2,811
Recovery of bad debts written off	**–**	6
Fair value gains on financial assets at fair value through profit or loss	**–**	439
Dividend income from listed and unlisted investments	**1,991**	3,288
Gain on disposal of asset held for sale	**5,147**	–
Net exchange gains	**19,690**	5,637
Others	**2,938**	3,476
	35,994	65,787

5 EXPENSES BY NATURE

	2010	2009
	HK$'000	*HK$'000*
Cost of sales		
Cost of inventories sold	**7,951,413**	1,204,394
Cost of properties sold	**177**	2,564
Direct operating expenses for generating rental income	**135**	113
	7,951,725	1,207,071
Selling, administrative and general expenses		
Selling expenses	**183,337**	74,214
Depreciation and amortisation	**6,742**	8,536
Amortisation of prepaid premium for land leases	**466**	450
Operating lease rental expenses	**19,463**	17,740
Administrative staff costs	**126,127**	120,918
Auditors' remuneration	**4,264**	3,920
Others	**111,511**	75,818
	451,910	301,596
Other expenses		
Loss on disposal of property, plant and equipment	**–**	62
Provision for impairment of inventories, net of reversal	**3,643**	–
Write-off of inventories	**386**	282
Provision for impairment of trade receivables, net of reversal	**934**	–
Write-off of bad debts	**204**	–
Fair value losses on financial assets at fair value through profit or loss	**124**	–
	5,291	344

6 FINANCE INCOME – NET

	2010 *HK$'000*	2009 *HK$'000*
Interest income from:		
– a fellow subsidiary	**1,930**	347
– a jointly controlled entity	**–**	1,346
– money market fund investments	**8**	67
– bank deposits	**8,394**	8,956
Total finance income	**10,332**	10,716
Interest expenses on bank loans wholly repayable within five years	**(5,532)**	(6,297)
Other finance charges	**(3,673)**	(1,773)
Total finance costs	**(9,205)**	(8,070)
Finance income – net	**1,127**	2,646

7 NET (LOSS)/GAIN ON DEEMED DISPOSAL OF PARTIAL INTEREST IN AN ASSOCIATE

During 2010, the Group's shareholding interest in SOLHL was diluted due to the exercise of SOLHL's employee share options resulting in a deemed disposal loss of HK$768,000.

On 30th December 2009, SOLHL allotted and issued 934 million new shares to China Life Insurance Company Limited at the subscription price of HK$6.23 per share. Accordingly, the Group's shareholding interest in SOLHL was diluted from 20.20% to 16.85% resulting in a gain on deemed disposal of HK$269,008,000. During 2009, the Group also recorded a net loss on deemed disposal of HK$23,721,000 as a result of the exercise of SOLHL's employee share options and issue of new shares.

8 GAIN ON DISPOSAL OF AN ASSOCIATE

On 21st December 2010, the Group disposed of all its shareholding interest in SOLHL at a price of HK$5.6 per share resulting in net proceeds of HK$5,258,294,000 and recognised a gain of HK$545,704,000 of which HK$425,788,000 was realisation of reserves.

9 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year.

The 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% (2009: 25%) except for certain subsidiaries, which are taxed at reduced rates ranging from 12.5% to 22% (2009: 15% to 20%) based on different local preferential policies on income tax and approval by relevant tax authorities.

Overseas taxation has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates. These rates range from 17% to 42.5% (2009:17%) during the year.

	2010 *HK$'000*	2009 *HK$'000*
Current income tax		
– Hong Kong profits tax	**22,140**	22,111
– the PRC enterprise income tax	**52,815**	25,667
– Overseas taxation	**5,937**	10
– (Over)/under-provision for Hong Kong profits tax in prior years	**(16)**	257
– Under-provision for the PRC taxation in prior years	**1,493**	2,286
Deferred income tax (credit)/charge	**(16,576)**	8,425
Income tax expense	**65,793**	58,756

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.

	2010	2009
Profit attributable to the equity holders of the Company	**HK$1,268,600,000**	HK$843,675,000
Weighted average number of ordinary shares in issue	**1,510,752,591**	1,499,846,994
Basic earnings per share	**83.97 HK cents**	56.25 HK cents

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

	2010	2009
Profit attributable to the equity holders of the Company	**HK$1,268,600,000**	HK$843,675,000
Weighted average number of ordinary shares in issue	**1,510,752,591**	1,499,846,994
Adjustment for assumed issuance of shares on exercise of share options	**26,680,811**	17,735,038
Weighted average number of ordinary shares for diluted earnings per share	**1,537,433,402**	1,517,582,032
Diluted earnings per share	**82.51 HK cents**	55.59 HK cents

11 DIVIDENDS

	2010	2009
	HK$'000	*HK$'000*
Interim dividend paid of HK$0.02 (2009: HK$0.01) per ordinary share	**30,215**	15,107
Final dividend proposed of HK$0.03 (2009: HK$0.084) per ordinary share	**45,332**	126,899
Special dividend proposed of HK$0.35 (2009: nil) per ordinary share	**528,874**	–
	604,421	142,006

At the board meeting held on 24th March 2011, the directors proposed a final dividend of HK$0.03 per ordinary share and a special dividend of HK$0.35 per ordinary share for the year ended 31st December 2010. These proposed dividends have not been reflected as dividend payable in the financial statements for the year ended 31st December 2010, but will be reflected in the financial statements as an appropriation of retained profits for the year ending 31st December 2011.

12 TRADE AND OTHER RECEIVABLES

As at 31st December 2010, trade and other receivables include trade receivables amounting to HK$1,277,778,000 (2009: HK$391,722,000).

As at 31st December 2010, the ageing analysis of trade receivables (including amounts due from related parties of trading in nature) based on invoice date and after provision is as follows:

	2010	2009
	HK$'000	*HK$'000*
Current – 90 days	**990,152**	218,875
91 – 180 days	**223,167**	71,330
Over 180 days	**64,459**	101,517
	1,277,778	391,722

For sale of coatings, marine equipment, spare parts, marine fuel, asphalt and other products, the majority of sales are on credit terms from 30 days to 90 days. Other than those with credit terms, all invoices are payable upon presentation.

13 TRADE AND OTHER PAYABLES

As at 31st December 2010, trade and other payables include trade payables amounting to HK$687,489,000 (2009: HK$212,793,000).

As at 31st December 2010, the ageing analysis of trade payables (including amounts due to related parties of trading in nature) based on invoice date is as follows:

	2010	2009
	HK$'000	*HK$'000*
Current – 90 days	**644,839**	198,254
91 – 180 days	**30,586**	5,153
Over 180 days	**12,064**	9,386
	687,489	212,793

OVERALL RESULTS ANALYSIS

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

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

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

FINANCIAL REVIEW

Revenue

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

Gross Profit and Gross Profit Margin

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

Other Income

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

Other Expenses

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

Selling, Administrative and General Expenses

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

Operating Profit

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

Finance Income – Net

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

Share of Results of Jointly Controlled Entities

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

Share of Results of Associates

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

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

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

Gain on Disposal of an Associate

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

Income Tax Expense

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

Profit Attributable to the Equity Holders

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

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

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

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

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

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

DEBT ANALYSIS

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

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

Treasury Policy

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

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

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

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

Major Customers and Suppliers

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

Employees

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

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

FINAL AND SPECIAL DIVIDENDS

The Board has recommended the payment of a final dividend of 3.00 HK cents (2009: 8.40 HK cents) per share and a special dividend of 35.00 HK cents (2009: nil) per share for the year ended 31st December 2010. The proposed final dividend and special dividend, together with the interim dividend of 2.00 HK cents per share, gives a total dividend of 40.00 HK cents (2009: 9.40 HK cents) per share for the whole year of 2010.

CLOSURE OF REGISTER OF MEMBERS

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

It is expected that the proposed final dividend and special dividend will be payable to those entitled on or before Wednesday, 29th June 2011 subject to the shareholders' approval in the annual general meeting of the Company to be held on Thursday, 9th June 2011.

BUSINESS REVIEW

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

1. Core Business – Shipping Services

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

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

As compared to 2009, each shipping services business unit under the Group achieved satisfactory and better-than-expected results due to improvement of the external markets on the one hand, and the Group's seizure of opportunities and its efforts on the other hand. As a result, the business of marine insurance brokerage services, and supply of marine equipment and spare parts steadily grew. The newly joined business of trading and supply of marine fuel and related products achieved good results. The container coating business strongly rebounded due to a surge in demand for new containers resulting from significant improvement in the container shipping market, thus maintaining a leading position in the industry with relatively high growth. Benefiting from the global new build vessel transaction volume hitting a record high, the business volume of marine coatings increased, enabling the marine coating business to maintain a leading position in a keen competitive market. In addition, as global new build vessel orders bottomed out in 2010, the Group's subsidiaries engaged in marine coatings and ship trading agency services capitalised on market opportunities and entered into new contracts, thus laying a foundation for business development in the future.

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

1.1 Ship Trading Agency Services

COSCO International Ship Trading Company Limited, a wholly-owned subsidiary of the Company ("COSCO Ship Trading") and the sole window company engaged in ship trading for 中國遠洋運輸（集團）總公司 (China Ocean Shipping (Group) Company^) ("COSCO") and its subsidiaries and associates (collectively "COSCO Group"), provides services relating to shipbuilding and ship trading and agency services relating to chartering for the fleet of COSCO Group, as well as similar agency services for non-COSCO Group shipowners or shipping companies to expand its business. COSCO Ship Trading mainly derives its revenue from agency services. In the case of new build vessels, commissions are paid to COSCO Ship Trading by shipbuilders according to the relevant contracts and are generally collected based on the shipbuilding schedule. For the trading of second-hand vessels, commissions are paid to COSCO Ship Trading according to the contracts after the vendors have delivered vessels to buyers.

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

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

1.2 *Marine Insurance Brokerage Services*

COSCO (Hong Kong) Insurance Brokers Limited, a wholly-owned subsidiary of the Company ("HK COSCO Insurance Brokers"), and its subsidiary, 深圳中遠保險經紀有限公司 (Shenzhen COSCO Insurance Brokers Limited^) ("SZ COSCO Insurance Brokers"), are mainly engaged in provision of insurance intermediate services including risk assessment, designing insurance program, placing insurance cover, loss prevention, claims handling to vessels insured worldwide.

Given the unstable shipping market and the enduring uncertainties at the beginning of 2010, insurers' insurance premium rates remained high on the one hand, and shipowners continued to take stringent measures to control costs on the other hand. The difference in expectation between insurers and shipowners caused difficulties for marine insurance brokerage business. Confronted with such unfavourable market conditions, HK COSCO Insurance Brokers and SZ COSCO Insurance Brokers (collectively the "COSCO Insurance Brokers") actively developed the insurance brokerage business of delivery of new vessels to shipping companies while making every effort to deal with annual insurance renewal, and continued to strive for promotion of the hull and machinery co-insurance business for vessels registered in China. The related businesses had been fully operated within COSCO Group. In line with the shipping business trend and change in traditional shipowners, they focused on the development of insurance brokerage business for vessels of new shipping companies under major PRC state-owned enterprises, thus strengthening and developing the non-COSCO Group business. In addition, during the year, they realised the customers' needs in a timely manner and provided professional advice against a background of rampant Somali piratic activities. They provided new tailor-made insurance products, including kidnap and ransom insurance and loss of hire insurance, with full protection at preferential rates for customers. These products not only solved customers' problems but also created profits for COSCO Insurance Brokers. By consolidating the existing customers and promoting new products, successful exploration of new customers and new businesses, together with the new demand for insurance brokerage business brought forth by delivery of new build vessels, the negative impact brought by the prevailing market predicament was largely mitigated, thereby enabling the commission revenue from marine insurance brokerage services to maintain a stable growth.

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

1.3 *Supply of Marine Equipment and Spare Parts*

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

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

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

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. 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.), all being non-wholly owned subsidiaries of the Company (collectively "COSCO Kansai Companies") are principally engaged in the production and sale of container coatings and industrial heavy-duty anti-corrosion coatings. Jotun COSCO, the 50/50 joint-venture formed by the Company and international coatings producer Jotun A/S, Norway, is principally engaged in the production and sale of marine coatings.

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

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

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

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

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

The industrial heavy-duty anti-corrosion coatings of COSCO Kansai Companies are primarily used in the industries covering bridges, petrochemical equipment and construction machinery, port machinery and equipment, nuclear power, wind power and civil steel structure. Industrial heavy-duty anti-corrosion coatings marked the direction of the adjusted product structure of COSCO Kansai Companies, and represented the key area for future development. During the year, with the launch of policies such as those aiming to boost domestic consumption in China, bridge industry, new energy industries (including nuclear power and wind power), and marine engineering equipment manufacturing industry have showed greater demands for industrial coatings. Other industries such as mechanical equipment were also in the process of recovery. COSCO Kansai Companies grasped the market opportunities by selecting projects of different industries for research. They set up task groups for follow-up and carried out many preliminary works, thus securing the trust of their customers and laying a good foundation for their future business development. In order to further expand their business, COSCO Kansai Companies established a representative office in Wuhan to explore business in Central China. In 2010, COSCO Kansai Companies recorded sales volume of industrial heavy-duty anti-corrosion coatings together with workshop primer of 10,379 tonnes, (2009: 10,113 tonnes), up 3 % year-on-year.

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

1.4.2 Marine Coatings

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

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

1.5 Trading and Supply of Marine Fuel and Related Products

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

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

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

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

2. General Trading

中遠國際貿易有限公司 (COSCO International Trading Company Limited^), a wholly-owned subsidiary of the Company ("CITC") is principally engaged in trading of asphalt, trading of general marine equipment and marine supplies, as well as other comprehensive trading. CITC is familiar with the China Mainland's market and the market operations and has abundant experience in international trading. It has steady suppliers and stable market share, which will generate synergies with the Group's shipping services business, serving as an important platform for the Group to tap the China Mainland's market.

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

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

3. Property Investments

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

3.1 Investment in SOLHL

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

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

EMERGENCY HANDLING

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

PROSPECTS

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

Confronted with the complex and ever-changing economic environment in the future, the overall situation of the shipping market is expected to be positive. However, the excess transportation capacity will continue to exist due to the delivery of numerous new build vessels while shipping companies will seek development in a volatile environment being exposed to many factors such as imbalanced and unstable regional development. For the top three traditional vessel markets, the container transportation market is expected to accelerate to grow towards a positive direction, and the dry bulk goods and tanker transportation markets will experience bigger challenge. For the new build vessel market, the global vessel orders in hand are still great. It is expected that there may be delays in delivery to a certain extent due to the influence of the shipping market. However the number of new build vessels delivered will remain at a high level. For the new build vessel order, it is expected that the general situation remains stable and the new build vessel price will be also relatively stable.

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

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

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

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

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

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

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

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

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

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

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

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

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 2010 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 2010.

CORPORATE GOVERNANCE

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

The Board believed that the Company has complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the 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 accounting policies and supervising the Company's financial reporting process; monitoring the performance of both the internal and external auditors; reviewing and examining the effectiveness of the financial reporting procedures and internal controls; ensuring compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, and internal rules and procedures approved by the Board. The Audit Committee has discussed the internal controls and financial reporting matters with management of the Company and reviewed the results announcement and the audited financial statements of the Group for the year ended 31st December 2010. The Company has received from each of the Independent Non-executive Director, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-executive Director to be independent.

The Company has adopted a code of conduct regarding securities transactions of Directors and employees ("Securities Code") no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Listing Rules. 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 Model Code and Securities Code during the year ended 31st December 2010, all Directors confirmed that they have complied with the required standards set out in the Model Code and Securities Code during the year.

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

Hong Kong, 24th March 2011

As at the date of this announcement, the Board comprises eleven directors with Mr. Zhang Fusheng (Chairman), Mr. Wang Futian (Vice Chairman), Mr. Liang Yanfeng, Mr. Wang Xiaodong (Managing Director) and Mr. Lin Wenjin as executive Directors; Mr. Jia Lianjun, Mr. Meng Qinghui and Mr. Chen Xuewen as non-executive Directors and Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec and Mr. Jiang, Simon X. as independent non-executive Directors.

^ *for identification purpose only*