Consolidated Profit and Loss Account

For the year ended 31st December 2010

US$'000	Note	2010	2009
Revenue	5	6,033,402	4,350,195
Operating costs	6	(4,671,087)	(4,273,782)
Gross profit		1,362,315	76,413
Fair value gain/(loss) from an investment property	18	5,000	(25,000)
Other operating income	7	39,911	34,058
Other operating expenses	8	(488,419)	(417,708)
Operating profit/(loss)	11	918,807	(332,237)
Finance costs	12	(29,091)	(35,347)
Share of profits of jointly controlled entities	21	1,659	1,099
Share of profits of associated companies	22	7,401	4,615
Profit/(loss) before taxation		898,776	(361,870)
Taxation	13	(28,959)	(14,234)
Profit/(loss) for the year from continuing operations		869,817	(376,104)
Discontinued operation:			
Profit/(loss) for the year from discontinued operation	16	1,004,554	(24,501)
Profit/(loss) for the year		1,874,371	(400,605)
Profit/(loss) attributable to:			
Equity holders of the Company		1,866,780	(402,294)
Non-controlling interests		7,591	1,689
		1,874,371	(400,605)
Earnings/(loss) per ordinary share (US cents)	14		
– from continuing operations		137.8	(60.4)
– from discontinued operation		160.5	(3.9)
Basic and diluted		298.3	(64.3)
Dividends	15	1,776,210	–

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2010

US$'000	2010	2009
Profit/(loss) for the year	**1,874,371**	(400,605)
Other comprehensive income:		
Vessels		
– Assets revaluation reserve realised	**(1,915)**	(8,033)
Available-for-sale financial assets		
– Change in fair value	**71,934**	(7,580)
– Assets revaluation reserve realised	**(1,314)**	(1,407)
Currency translation adjustments	**6,958**	5,080
Other comprehensive income/(loss) for the year	**75,663**	(11,940)
Total comprehensive income/(loss) for the year	**1,950,034**	(412,545)
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	**1,942,336**	(414,200)
Non-controlling interests	**7,698**	1,655
	1,950,034	(412,545)

Consolidated Balance Sheet

As at 31st December 2010

US$'000	Note	2010	2009
ASSETS			
Non-current assets			
Property, plant and equipment	17	3,860,367	3,798,048
Investment property	18	155,000	150,000
Prepayments of lease premiums	19	10,122	10,175
Jointly controlled entities	21	3,256	4,465
Associated companies	22	66,222	59,737
Intangible assets	23	46,648	53,104
Deferred taxation assets	24	1,778	847
Pension and retirement assets	25	29,692	27,213
Derivative financial instruments	31	5,672	–
Restricted bank balances	26	4,648	447
Other non-current assets	27	333,001	219,670
		4,516,406	4,323,706
Current assets			
Inventories	28	96,265	83,561
Debtors and prepayments	29	454,997	380,234
Portfolio investments	30	151,448	44,592
Derivative financial instruments	31	155	2,965
Restricted bank balances	26	1,206	1,760
Cash and bank balances	32	3,851,902	1,225,102
		4,555,973	1,738,214
Assets held for sale	16	–	1,268,254
		4,555,973	3,006,468
Total assets		9,072,379	7,330,174
EQUITY			
Equity holders			
Share capital	33	62,579	62,579
Reserves	34	5,510,153	3,882,105
		5,572,732	3,944,684
Non-controlling interests		6,799	23,723
Total equity		5,579,531	3,968,407

Consolidated Balance Sheet

As at 31st December 2010

US$'000	Note	2010	2009
LIABILITIES			
Non-current liabilities			
Borrowings	35	**2,416,367**	2,135,967
Deferred taxation liabilities	24	**39,914**	30,697
Pension and retirement liabilities	25	**2,493**	3,130
Derivative financial instruments	31	**10,157**	–
		2,468,931	2,169,794
Current liabilities			
Creditors and accruals	36	**758,212**	601,083
Derivative financial instruments	31	**–**	6,110
Borrowings	35	**247,755**	432,055
Current taxation		**17,950**	10,319
		1,023,917	1,049,567
Liabilities directly associated with assets held for sale	16	**–**	142,406
		1,023,917	1,191,973
Total liabilities		**3,492,848**	3,361,767
Total equity and liabilities		**9,072,379**	7,330,174
Net current assets		**3,532,056**	1,814,495
Total assets less current liabilities		**8,048,462**	6,138,201

C C Tung
Kenneth G Cambie
Directors

Balance Sheet

As at 31st December 2010

US$'000	Note	2010	2009
ASSETS			
Non-current assets			
Subsidiaries	20	169,487	169,487
Current assets			
Prepayments		77	71
Amounts due from subsidiaries	20	3,732,353	1,006,770
Restricted bank balances	26	197	193
Cash and bank balances	32	96,255	39,579
		3,828,882	1,046,613
Asset held for sale	16	–	1,037,388
		3,828,882	2,084,001
Total assets		3,998,369	2,253,488
EQUITY			
Equity holders			
Share capital	33	62,579	62,579
Reserves	34	1,969,279	1,216,633
Total equity		2,031,858	1,279,212
LIABILITIES			
Non-current liabilities			
Derivative financial instruments	31	3,353	–
Amount due to a subsidiary	20	719,730	717,863
		723,083	717,863
Current liabilities			
Accruals		45,501	572
Amounts due to subsidiaries	20	1,197,927	255,841
		1,243,428	256,413
Total liabilities		1,966,511	974,276
Total equity and liabilities		3,998,369	2,253,488
Net current assets		2,585,454	1,827,588
Total assets less current liabilities		2,754,941	1,997,075

C C Tung
Kenneth G Cambie
Directors

Consolidated Cash Flow Statement

For the year ended 31st December 2010

US$'000	Note	2010	2009
Cash flows from operating activities			
Cash generated from/(used in) operations	39(a)	**1,212,722**	(291,049)
Interest paid		**(14,362)**	(17,378)
Interest element of finance lease rental payments		**(15,152)**	(33,981)
Dividend on preference shares		**–**	(3,235)
Hong Kong profits tax refunded/(paid)		**2,009**	(382)
Overseas tax paid		**(10,483)**	(7,851)
Net cash from/(used in) operating activities		**1,174,734**	(353,876)
Cash flows from investing activities			
Sale of property, plant and equipment		**30,304**	24,131
Sale of available-for-sale financial assets		**2,399**	3,971
Sale/redemption on maturity of held-to-maturity investments		**32,261**	6,369
Purchase of property, plant and equipment		**(214,313)**	(363,821)
Purchase of available-for-sale financial assets		**(343)**	(60)
Purchase of held-to-maturity investments		**(72,776)**	(50,065)
Acquisition of additional interests in subsidiaries		**(14,123)**	(34,527)
(Increase)/decrease in portfolio investments		**(106,856)**	9,451
Disposal of subsidiaries	39(b)	**2,130,402**	–
Increase/(decrease) in amounts due to jointly controlled entities		**1,865**	(1,409)
(Increase)/decrease in restricted bank balances and bank deposits maturing more than three months from the date of placement		**(2,505,485)**	63,352
Purchase of intangible assets		**(4,043)**	(12,401)
(Increase)/decrease in other non-current assets		**(563)**	6,723
Interest received		**18,976**	14,290
Dividends received from portfolio investments		**622**	535
Income from available-for-sale financial assets		**7**	83
Dividends received from jointly controlled entities		**1,233**	1,881
Dividends received from associated companies		**2,797**	2,098
Net cash used in investing activities		**(697,636)**	(329,399)
Cash flows from financing activities			
New loans		**583,976**	525,154
Repayment of loans		**(561,883)**	(132,451)
Redemption of preference shares		**–**	(45,689)
Capital element of finance lease rental payments		**(50,431)**	(70,549)
Dividends paid to equity holders of the Company		**(322,493)**	(28,187)
Dividends paid to non-controlling interests		**(2,294)**	(1,296)
Net cash (used in)/from financing activities		**(353,125)**	246,982
Net increase/(decrease) in cash and cash equivalents		**123,973**	(436,293)
Cash and cash equivalents at beginning of year		**1,088,254**	1,778,453
Cash and cash equivalents of disposal group classified as held for sale	16	**–**	(262,124)
Currency translation adjustments		**1,056**	8,218
Cash and cash equivalents at end of year	39(d)	**1,213,283**	1,088,254

Consolidated Statement of Changes in Equity

For the year ended 31st December 2010

US$'000	Equity holders				
	Share capital	Reserves	Sub-total	Non-controlling interests	Total
At 31st December 2008	62,579	4,324,492	4,387,071	34,292	4,421,363
Total comprehensive (loss)/income for the year	–	(414,200)	(414,200)	1,655	(412,545)
Transaction with owners					
2008 final dividend	–	(28,187)	(28,187)	–	(28,187)
Acquisition of additional interest in a subsidiary	–	–	–	(10,928)	(10,928)
Dividends paid to non-controlling interests	–	–	–	(1,296)	(1,296)
At 31st December 2009	62,579	3,882,105	3,944,684	23,723	3,968,407
Total comprehensive income for the year	–	1,942,336	1,942,336	7,698	1,950,034
Transaction with owners					
2010 interim dividend	–	(72,013)	(72,013)	–	(72,013)
2010 special dividend	–	(250,480)	(250,480)	–	(250,480)
Acquisition of additional interests in subsidiaries	–	8,205	8,205	(22,328)	(14,123)
Dividends paid to non-controlling interests	–	–	–	(2,294)	(2,294)
At 31st December 2010	**62,579**	**5,510,153**	**5,572,732**	**6,799**	**5,579,531**

Notes to the Consolidated Accounts

1. General information

Orient Overseas (International) Limited ("the Company") is a limited liability company incorporated in Bermuda. The address of its registered office is 33rd floor, Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding and the activities of its principal subsidiaries, associated companies and jointly controlled entities are set out on pages 130 to 136 of the accounts.

The Company has its listing on the Main Board of The Stock Exchange of Hong Kong Limited.

On 18th January 2010, the Board announced that the Company had entered into the Sale and Purchase Agreement with CapitaLand China (RE) Holdings Co., Ltd. to sell its entire interest in Orient Overseas Developments Limited ("OODL") and its subsidiaries and jointly controlled entities (collectively referred to as the "Disposal Group") and the assignment and transfer of the shareholder's loan for an aggregate consideration of US$2.2 billion, receivable in cash. The transaction was completed on 10th February 2010. After transaction costs, the profit arising on the disposal was approximately US$1.0 billion which had been recognised in the consolidated profit and loss account in 2010.

Analysis of the results, cash flows, assets and liabilities of the Disposal Group is presented in notes 16 and 39(b).

2. Summary of significant accounting policies

The significant accounting policies applied in the preparation of these consolidated accounts are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

2.1 Basis of preparation

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

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

The adoption of revised HKFRS

In 2010, the Group adopted the revised standards, amendments and interpretations of HKFRS below, which are relevant to its operations.

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HKFRS 5 Amendment	Non-current Assets Held for Sale and Discontinued Operations
HK – Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause

Annual improvements to HKFRS published in May 2009

HKAS 1 Amendment	Presentation of Financial Statements
HKAS 7 Amendment	Statement of Cash Flows
HKAS 17 Amendment	Leases
HKAS 18 Amendment	Revenue
HKAS 36 Amendment	Impairment of Assets
HKAS 38 Amendment	Intangible Assets
HKFRS 5 Amendment	Non-current Assets Held for Sale and Discontinued Operations
HKFRS 8 Amendment	Operating Segments

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

The adoption of revised HKFRS (Continued)

The Group has assessed the impact of the adoption of these revised standards, amendments and interpretations and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies and presentation of the accounts except for HKAS 27 (Revised) and HK-Interpretation 5 as set out below:

HKAS 27 (Revised) requires the effects of all transactions with non-controlling interests that do not result in the change of control to be recorded as equity transactions and these transactions will no longer result in goodwill or gains and losses. When control is lost, any remaining interest in the entity is remeasured to fair value, the difference between its fair value and carrying amount is recognised in the consolidated profit and loss account.

The adoption of HKAS 27 (Revised) has resulted in the difference between the consideration paid and the relevant share of the net asset value acquired from the non-controlling interests of US$8,205,000 which is now recorded in equity.

HK-Interpretation 5 is a clarification of an existing standard, HKAS 1 Presentation of Financial Statements. It sets out that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability irrespective of the probability that the lender will invoke the clause without cause. The adoption of this interpretation has no effect on the balance sheet of the Group as at 31st December 2010 and 2009.

Standards, interpretations and amendments to existing standards that are relevant but not yet effective to the Group

New or revised standards, amendments and interpretations		Effective for accounting periods beginning on or after
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments	1st July 2010
HKAS 24 (Revised)	Related Party Disclosures	1st January 2011
HK(IFRIC) – Int 14 Amendment	Prepayments of a Minimum Funding Requirement	1st January 2011
HKFRS 7 Amendment	Financial Instruments: Disclosures – Transfer of Financial Assets	1st July 2011
HKAS 12 Amendment	Deferred tax: Recovery of Underlying Assets	1st January 2012
HKFRS 9	Financial Instruments	1st January 2013

Annual improvements to HKFRS published in May 2010		Effective for accounting periods beginning on or after
HKFRS 3 Amendment	Business Combinations	1st July 2010
HKAS 27 Amendment	Consolidated and Separate Financial Statements	1st July 2010
HKAS 1 Amendment	Presentation of Financial Statements	1st January 2011
HKAS 34 Amendment	Interim Financial Reporting	1st January 2011
HKFRS 7 Amendment	Financial Instruments: Disclosure	1st January 2011

The Group has not early adopted the above standards, amendments and interpretations and is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of accounts will result.

2. Summary of significant accounting policies (Continued)

2.2 Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December.

The consolidated accounts also include the Group's attributable share of post-acquisition results and reserves of its jointly controlled entities and associated companies.

(a) Subsidiaries

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

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

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are recognised by the Company on the basis of dividend received and receivable.

(b) Transactions with non-controlling interests

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

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

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

(c) Jointly controlled entities

A jointly controlled entity is a joint venture in respect of which a contractual arrangement is established between the participating venturers and whereby the Group together with the venturers undertake an economic activity which is subject to joint control and none of the venturers has unilateral control over the economic activity. Jointly controlled entities are accounted for under the equity method whereby the Group's share of profits less losses is included in the consolidated profit and loss account and the Group's share of net assets is included in the consolidated balance sheet.

2. Summary of significant accounting policies (Continued)

2.2 Consolidation (Continued)

(d) Associated companies

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associated companies includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the consolidated profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

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

2.3 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated profit and loss account during the financial period in which they are incurred.

No depreciation is provided for vessels and buildings under construction and freehold land.

Vehicles, computer and other equipment includes terminal equipment and improvements.

Depreciation of other property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Container vessels	25 years
Containers	5 to 12 years
Chassis	10 to 12 years
Terminal equipment and improvements	10 to 15 years
Freehold buildings	Not exceeding 75 years
Leasehold buildings	Over period of the lease
Leasehold improvement	Over period of the lease
Furniture, vehicles, computer and other equipment	3 to 15 years

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

The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Gains and losses on disposals are determined as the difference between the net disposal proceeds and the carrying amounts of the assets and are dealt with in the consolidated profit and loss account.

For the assets under the revaluation model, if an asset's carrying amount is increased as a result of a revaluation, the increase shall be credited directly to asset revaluation reserve. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be debited directly to asset revaluation reserve to the extent of any credit balance existing in the asset revaluation reserve in respect of that asset.

2. Summary of significant accounting policies (Continued)

2.4 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property. Investment property comprises freehold land, land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is initially measured at cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on valuation carried out annually by an independent external valuer. Changes in fair values are recognised in the consolidated profit and loss account.

2.5 Vessel repairs and surveys

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

2.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associated company or jointly controlled entity at the effective date of acquisition.

Goodwill on acquisition of a foreign operation is treated as an asset of the foreign operation.

Goodwill arising on acquisition of subsidiaries is retained at the carrying amount as an intangible asset. Goodwill arising on acquisition of associated companies and jointly controlled entities is included within investments in associated companies and jointly controlled entities respectively and is tested for impairment as part of overall balance. Separately recognised goodwill is subject to impairment review annually and when there are indications that the carrying value may not be recoverable. If the cost of acquisition is less than the fair value of the Group's share of the net identifiable assets of the acquired company, the difference is recognised in the consolidated profit and loss account.

The profit or loss on disposal of subsidiaries, associated companies or jointly controlled entities is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill but does not include any attributable goodwill previously eliminated against reserves.

(b) Computer software

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

Computer software development costs recognised as assets are stated at cost less accumulated amortisation. Amortisation is calculated on the straight-line basis over their estimated useful life of five years.

2. Summary of significant accounting policies (Continued)

2.7 Impairment of investments in subsidiaries and non-financial assets

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

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate accounts exceeds the carrying amount in the consolidated accounts of the investee's net assets including goodwill.

2.8 Investments

The Group classifies its investments in the following categories: portfolio investments, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(a) Portfolio investments

Portfolio investments include financial assets held for trading and those designated as fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months from the balance sheet date.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date; which are classified as non-current assets.

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity investments, the whole category would be reclassified as available-for-sale financial assets. Held-to-maturity investments are included in non-current assets, except for those with maturities less than 12 months from the balance sheet date; which are classified as current assets.

(d) Available-for-sale financial assets

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

(e) Recognition and measurement

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

2. Summary of significant accounting policies (Continued)

2.8 Investments (Continued)

(e) Recognition and measurement (Continued)

Realised and unrealised gains and losses arising from changes in the fair value of the portfolio investments are included in the consolidated profit and loss account in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale financial assets are recognised in other comprehensive income. When securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the consolidated profit and loss account as gains and losses from available-for-sale financial assets.

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

The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables or held-to-maturity investments out of the held-for-trading or available-for-sale financial assets categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated profit and loss account is removed from equity and recognised in the consolidated profit and loss account. Impairment losses recognised in the consolidated profit and loss account on equity instruments are not reversed through the consolidated profit and loss account.

Impairment on held-to-maturity investments is considered at both an individual and collective level. The individual impairment allowance is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at asset's original effective interest rate, where the effect of discounting is material.

2.9 Inventories

Inventories mainly comprise bunkers and consumable stores. Inventories are stated at the lower of cost and net realisable value. Cost is calculated on weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.10 Debtors

Debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of debtors is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the consolidated profit and loss account.

2. Summary of significant accounting policies (Continued)

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks with original maturities of three months or less and net of bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated balance sheet.

2.12 Share capital

Ordinary shares are classified as equity.

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

2.13 Creditors

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

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

2.14 Borrowings

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

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

2.15 Current and deferred taxation

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

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

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated accounts. However, if the deferred taxation arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred taxation is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred taxation asset is realised or the deferred taxation liability is settled.

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

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associated companies and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

2. Summary of significant accounting policies (Continued)

2.16 Employee benefits

(a) Pension obligations

The Group operates a number of defined benefit and defined contribution pension and retirement benefit schemes in the main countries in which the Group operates. These schemes are generally funded by payments from employees and by relevant group companies, taking into account of the recommendations of independent qualified actuaries where required.

For defined benefit pension plans, annual contributions are made in accordance with the advice of qualified actuaries for the funding of retirement benefits in order to build up reserves for each scheme member during the employee's service life and are used to pay to the employee or his or her dependent(s) a pension after retirement. Such pension costs are assessed using the projected unit credit method, under which, the cost of providing pensions is charged to the consolidated profit and loss account so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries with full valuation of the plans every two to three years. The pension obligations are measured as the present value of the estimated future cash outflows using interest rates of high quality corporate bonds which have terms to maturity approximating the terms of the related liabilities. Plan assets are measured at fair values. Actuarial gains and losses are recognised in the consolidated profit and loss account over the expected average remaining service lives of employees to the extent of the amount in excess of 10% of the greater of the present value of the plan obligations and the fair value of plan assets.

Contributions under the defined contribution schemes are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

2.18 Insurance contracts

The Group regards its financial guarantees provided to its subsidiaries as insurance contracts. The Group assesses at each balance sheet date the liabilities under its insurance contracts using current estimates of future cash flows. Changes in carrying amount of these insurance liabilities are recognised in the consolidated profit and loss account.

2.19 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments and making strategic decisions, has been identified as the Board of Directors.

2. Summary of significant accounting policies (Continued)

2.20 Foreign currency translation

(a) Functional and presentation currency

Items included in the accounts of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated accounts are presented in US dollars, which is the Company's functional currency and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated profit and loss account.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the assets revaluation reserve in equity.

(c) Group companies

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

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

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

(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in the consolidated profit and loss account as part of the gain or loss on sale.

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

2.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services, net of value-added tax, rebates and discounts and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. Revenue is recognised as follows:

(a) Freight revenues from the operation of the container transport are recognised on a percentage of completion basis, which is determined on the time proportion method of each individual vessel voyage.

(b) Revenues from logistics business are recognised when services are rendered or on an accrual basis.

(c) Revenues from the operation of container terminals and provision of other services are recognised when services are rendered or on an accrual basis.

(d) Rental income under operating leases is recognised over the periods of the respective leases on a straight-line basis.

(e) Interest income is recognised on a time-proportion basis using the effective interest method.

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

2. Summary of significant accounting policies (Continued)

2.22 Leases

(a) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the consolidated profit and loss account on a straight-line basis over the period of the lease.

The up-front prepayments made for the leasehold land and land use rights are expensed in the consolidated profit and loss account on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the consolidated profit and loss account.

(b) Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognised in the consolidated profit and loss account over the lease period so as to produce a constant periodic rate of interest on the remaining balances of the liability for each period.

2.23 Borrowing costs

Borrowing costs are expensed in the consolidated profit and loss account in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2.24 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in fair value are recognised in the consolidated profit and loss account.

2.25 Disposal group – assets held for sale

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

2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's accounts in the period in which the dividends are approved by the Company's Directors/shareholders.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, price risk, credit risk, liquidity risk and cash flow and fair value interest-rate risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group has regularly monitored current and expected liquidity requirements against the cash on hand, expected net operating cash flow, committed facilities and its compliance with loan covenants, to ensure the Group's liquidity requirements can be met in the short and longer term.

The Group has paid ongoing attention on credit quality of counterparties, in particular major customers and financial institutions with relationship in terms of debt securities, derivatives and cash transactions. Credit qualities of respective counterparties are disclosed in respective notes to the consolidated accounts.

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to fluctuation in the exchange rates of foreign currencies to the US dollar. Foreign currency exposures are covered by forward contracts and options whenever appropriate.

Income from container transport and logistics activities is mainly denominated in US dollar and expenses are incurred in various currencies, mainly including US dollar, Euro, Canadian dollar, Japanese yen and Renminbi.

As a main rule, a high US dollar exchange rate will have a positive effect on the Group's net earnings for the year and the Group's equity.

To limit currency exposure, the US dollar based activities are financed primarily by loans in US dollar. With all other variables held constant, an average change in the US dollar exchange rate of 1%, compared with all other non-US dollar related currencies, has a positive/negative effect on the results for 2010 of approximately US$21.3 million (2009: US$19.1 million).

(b) Price risk

The container transport and logistics activities are sensitive to economic fluctuations. The Group is exposed to freight rate risk. The Group's revenue will increase/decrease by US$53.1 million (2009: US$38.0 million) for 1% increase/reduction of the average container freight rates with all other variables held constant.

The Group is exposed to bunker price risk for its container transport and logistics activities. Bunker cost is one of the major cost components of container transport and logistics activities. An increase in bunker price can only be partially compensated through freight surcharge bunker price adjustment. With all other variables held constant, the operating cost will be increased by approximately US$1.9 million (2009: US$1.7 million) for one US dollar increase in bunker price per ton.

(c) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that services are provided to customers with an appropriate credit history.

The extent of the Group's credit exposure is represented by the aggregate balance of cash and bank balances, portfolio investments, held-to-maturity investments, derivative financial instruments, restricted bank balances, other deposits, debtors and prepayments and loan to an investee company. The credit quality of these exposures is disclosed in relevant notes to the consolidated accounts.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping sufficient cash and cash equivalents and readily realisable liquid assets.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(d) Liquidity risk (Continued)

Surplus cash held by the operating entities over and above the balance required for working capital management are transferred to the Group Treasury. Group Treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room. At the reporting date, the Group held liquid assets of US$4,005.3 million (2009: US$1,273.1 million) that are expected to readily generate cash inflows for managing liquidity risk.

The table below analyses the Group's and the Company's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

US$'000	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Group				
At 31st December 2010				
Borrowings	**274,900**	**430,605**	**446,640**	**1,761,170**
Creditors and accruals	**758,212**	–	–	–
Derivative financial instruments	**10,157**	–	–	–
At 31st December 2009				
Borrowings	458,153	243,452	711,349	1,379,878
Creditors and accruals	601,083	–	–	–
Derivative financial instruments	6,110	–	–	–
Company				
At 31st December 2010				
Accruals	**45,501**	–	–	–
Amounts due to subsidiaries	**1,197,927**	**719,730**	–	–
Derivative financial instruments	**3,353**	–	–	–
At 31st December 2009				
Accruals	572	–	–	–
Amounts due to subsidiaries	255,841	717,863	–	–

The Group's and the Company's derivative financial instruments with negative fair value have been included at their fair value within the less than 1 year time bucket. This is because the contractual maturities are not essential for an understanding of the timing of the cash flows. These contracts are managed on a net-fair value basis rather than by maturity date.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(e) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has a policy to place surplus funds with creditable financial institutions which offer the best return for the Group on a short-term basis.

There are no material fixed rate receivables or borrowings in the Group.

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing bank balances and borrowings. These exposures are partially managed through the use of derivative financial instruments such as interest rate swaps.

At 31st December 2010, if interest rates had been 0.1% higher/lower with all other variables held constant, post-tax profit (2009: loss) for the year would have been US$1.1 million higher/lower (2009: US$1.4 million higher/lower), mainly as a result of higher/lower net interest income (2009: expense) on the net floating rate bank balances (2009: borrowings).

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less restricted bank balances, cash and bank balances and portfolio investments.

The gearing ratios at 31st December 2010 and 2009 are as follows:

US$'000	2010	2009
Total borrowings (note 35)	(2,664,122)	(2,568,022)
Less: Restricted bank balances (note 26)	5,854	2,207
Cash and bank balances (note 32)	3,851,902	1,225,102
Portfolio investments (note 30)	151,448	44,592
Net cash/(debt)	1,345,082	(1,296,121)
Total equity	5,579,531	3,968,407
Gearing ratio	N/A	0.33

The change to net cash position results primarily from the cash receipt on the disposal of Orient Overseas Developments Limited group as mentioned in note 1 above.

3. Financial risk management (Continued)

3.3 Fair value estimation

The financial instruments that are measured in the balance sheet at fair value, require disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise portfolio investments and listed equity securities classified as available-for-sale financial assets.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. None of the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Instruments included in level 3 comprise derivative financial instruments and unlisted equity securities classified as available-for-sale financial assets.

4. Critical accounting estimates and judgements

Estimates and judgements used in preparing the accounts are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Recognition of deferred tax assets, which principally relate to tax losses, depends on the management's expectation of future taxable profit that will be available against which tax losses can be utilised. The outcome of their actual utilisation may be different.

4. Critical accounting estimates and judgements (Continued)

(b) Investment property

The fair value of investment property is determined by an independent valuer on an open market for existing use basis. In making the judgement, consideration has been given to assumptions that are mainly based on market conditions existing at the balance sheet date and appropriate capitalisation rates. Management has critically assessed these estimates and has regularly compared to actual market data and actual transactions entered into by the Group.

(c) Property, plant and equipment and intangible assets

Management determines the estimated useful lives and residual values for the Group's property, plant and equipment and intangible assets. Management will revise the depreciation charge where useful lives and residual values are different from previously estimated.

Management determines the estimated useful lives and related depreciation expenses for the vessels and containers. Management estimates useful lives of its vessels and containers by reference to expected usage of the vessels and containers, expected repair and maintenance, and technical or commercial obsolescence arising from changes or improvements in the market. It could change significantly as a result of the changes of these factors.

Were the useful lives of vessels and containers to differ by 10% from management estimates with all other variables held constant, it is estimated that depreciation expense would increase or decrease by approximately US$21.3 million or US$17.4 million respectively (2009: US$16.7 million or US$13.6 million respectively).

The Group's management determines the residual values for its vessels and containers. This estimate is based on the current scrap values of steels in an active market at each measurement date since management decides to dispose of the fully depreciated vessels and containers as scrap steels. Depreciation expense would increase where the residual values are less than previously estimated values.

Were the residual values of containers and vessels to differ by 10% from management estimates with all other variables held constant, it is estimated that depreciation expense would increase or decrease by approximately US$7.6 million or US$7.5 million respectively (2009: US$6.5 million or US$6.6 million respectively).

(d) Provision of operating cost

Operating costs, which mainly comprise cargo, vessel and voyage costs, equipment repositioning cost and terminal operating cost. Invoices in relation to these expenses are received approximately up to four months after the expenses have been incurred. Consequently, recognition of operating costs is based on the rendering of services as well as the latest tariff agreed with vendors.

If the actual expenses of a voyage differ from the estimated expenses, this will have an impact on operating cost in future periods. Historically, the Group has not experienced significant deviation from the actual expenses.

(e) Held-to-maturity investments

The Group follows HKAS 39 guidance on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity investments. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity.

If the Group fails to keep these investments to maturity other than for specific circumstances defined in HKAS 39, it will be required to reclassify the whole class as available-for-sale financial assets. The investments would therefore be measured at fair value, not amortised cost. If the class of held-to-maturity investments was tainted, the carrying amount would increase to fair value by US$1.7 million (2009: US$2.6 million), and be recognised in the consolidated statement of comprehensive income.

5. Revenue and segment information

(a) Revenue

US$'000	2010	2009
Container transport and logistics	6,008,842	4,325,998
Others	24,560	24,197
	6,033,402	4,350,195

The principal activities of the Group are container transport and logistics.

Revenue comprises turnover which includes gross freight, charterhire, service and other income from the operation of the container transport and logistics and rental income from the investment property.

(b) Segment information

The principal activities of the Group are container transport and logistics. Container transport and logistics include global containerised shipping services in major trade lanes, covering Trans-Pacific, Trans-Atlantic, Asia/Europe, Asia/Australia and Intra-Asia trades, and integrated services over the management and control of effective storage and flow of goods. In accordance with the Group's internal financial reporting provided to the chief operating decision-makers, who are responsible for allocating resources, assessing performance of the operating segments and making strategic decisions, the reportable operating segments are container transport and logistics and others.

Operating segments

The segment results for the year ended 31st December 2010 are as follows:

	Continuing operations				Discontinued operation	
US$'000	Container transport and logistics	Others	Elimination	Sub-total	Property development	Group
Revenue	6,008,842	25,539	(979)	6,033,402	–	6,033,402
Operating profit	887,640	31,167	–	918,807	–	918,807
Finance costs (note 12)	(28,555)	(536)	–	(29,091)	–	(29,091)
Share of profits of jointly controlled entities (note 21)	1,659	–	–	1,659	–	1,659
Share of profits of associated companies (note 22)	7,401	–	–	7,401	–	7,401
Profit before taxation	868,145	30,631	–	898,776	–	898,776
Taxation	(18,963)	(9,996)	–	(28,959)	–	(28,959)
Profit after taxation	849,182	20,635	–	869,817	–	869,817
Profit on disposal of subsidiaries	–	–	–	–	1,004,554	1,004,554
Profit for the year	849,182	20,635	–	869,817	1,004,554	1,874,371
Capital expenditure	345,255	–	–	345,255	–	345,255
Depreciation	255,010	–	–	255,010	–	255,010
Amortisation	10,972	–	–	10,972	–	10,972

5. Revenue and segment information (Continued)

(b) Segment information (Continued)

Operating segments (Continued)

The segment results for the year ended 31st December 2009 are as follows:

	Continuing operations				Discontinued operation	
US$'000	Container transport and logistics	Others	Elimination	Sub-total	Property development	Group
Revenue	4,325,998	25,193	(996)	4,350,195	4,435	4,354,630
Operating loss	(331,181)	(1,056)	–	(332,237)	(22,230)	(354,467)
Finance costs (note 12)	(34,606)	(741)	–	(35,347)	(2,981)	(38,328)
Share of profits of jointly controlled entities (note 21)	1,099	–	–	1,099	1,080	2,179
Share of profits of associated companies (note 22)	4,615	–	–	4,615	–	4,615
Loss before taxation	(360,073)	(1,797)	–	(361,870)	(24,131)	(386,001)
Taxation (expense)/credit	(15,002)	768	–	(14,234)	(370)	(14,604)
Loss for the year	(375,075)	(1,029)	–	(376,104)	(24,501)	(400,605)
Capital expenditure	375,567	–	–	375,567	4,594	380,161
Depreciation	203,826	–	–	203,826	3,449	207,275
Amortisation	6,882	–	–	6,882	96	6,978

Others mainly represent corporate level activities including central treasury management, property investment and administrative function.

Inter-segment transfers or transactions are conducted at prices and terms mutually agreed amongst those business segments.

The segment assets and liabilities at 31st December 2010 are as follows:

US$'000	**Container transport and logistics**	**Others**	**Group**
Segment assets	**4,685,887**	**4,317,014**	**9,002,901**
Jointly controlled entities	**3,256**	**–**	**3,256**
Associated companies	**66,222**	**–**	**66,222**
Total assets	**4,755,365**	**4,317,014**	**9,072,379**
Segment liabilities	**(3,417,245)**	**(75,603)**	**(3,492,848)**

5. Revenue and segment information (Continued)

(b) Segment information (Continued)

Operating segments (Continued)

The segment assets and liabilities at 31st December 2009 are as follows:

US$'000	Container transport and logistics	Others	Group
Segment assets	4,698,468	1,299,250	5,997,718
Jointly controlled entities	4,465	–	4,465
Associated companies	59,737	–	59,737
	4,762,670	1,299,250	6,061,920
Assets held for sale (note 16)			1,268,254
Total assets			7,330,174
Segment liabilities	(3,152,987)	(66,374)	(3,219,361)
Liabilities directly associated with assets held for sale (note 16)			(142,406)
Total liabilities			(3,361,767)

Others primarily include assets and liabilities of property and corporate level activities. Other assets consist primarily of investment property, available-for-sale financial assets, held-to-maturity investments, loan to an investee company and portfolio investments together with cash and bank balances that are managed at corporate level. Other liabilities primarily include creditors and accruals, deferred taxation liabilities and derivative financial instruments related to corporate level activities.

Geographical information

The Group's two reportable operating segments operate in four main geographical areas, even though they are managed on a worldwide basis. Freight revenues from container transport and logistics are analysed based on the outbound cargoes of each geographical territory.

The Group's total assets mainly include container vessels and containers which are primarily utilised across geographical markets for shipment of cargoes throughout the world. Accordingly, non-current assets by geographical areas are not presented.

US$'000	**Revenue**	**Capital expenditure**
Year ended 31st December 2010		
Continuing operations:		
Asia	**4,086,343**	**9,913**
North America	**1,039,666**	**853**
Europe	**771,023**	**258**
Australia	**136,370**	**80**
Unallocated *	**–**	**334,151**
	6,033,402	**345,255**
Year ended 31st December 2009		
Continuing operations:		
Asia	2,770,420	19,080
North America	880,785	2,672
Europe	582,633	219
Australia	116,357	12
Unallocated *	–	353,584
	4,350,195	375,567
Discontinued operation	4,435	4,594
	4,354,630	380,161

* Unallocated capital expenditure comprises additions to vessels, dry-docking, containers and intangible assets.

6. Operating costs

US$'000	2010	2009
Cargo	2,398,654	2,148,846
Vessel and voyage	1,591,068	1,482,056
Equipment and repositioning	668,558	628,467
	4,658,280	4,259,369
Investment property	12,807	14,413
	4,671,087	4,273,782

7. Other operating income

US$'000	2010	2009
Income from available-for-sale financial assets		
– Profit on disposal	1,314	1,407
– Dividend income	7	85
Interest income from banks	18,526	9,110
Interest income from held-to-maturity investments	5,217	3,232
Gain on disposal of held-to-maturity investments	2,044	–
Portfolio investment income		
– Fair value gain (realised and unrealised)	449	11,634
– Interest income	2,934	1,563
– Dividend income	622	581
Gain on foreign exchange forward contracts	–	5,252
Profit on disposal of property, plant and equipment	6,924	–
Exchange gain	–	72
Others	1,874	1,122
	39,911	34,058

The investment income from listed investments for the year amounts to US$12.6 million (2009: US$18.5 million).

8. Other operating expenses

US$'000	2010	2009
Business and administrative	472,182	396,040
Corporate	13,140	9,243
Loss on disposal of held-to-maturity investments	–	1,506
Loss on currency option contracts	–	376
Loss on interest rate swap contracts	159	2,894
Loss on foreign exchange forward contracts	694	–
Loss on disposal of property, plant and equipment	–	7,649
Exchange loss	2,244	–
	488,419	417,708

9. Employee benefit expense

US$'000	2010	2009
Wages and salaries	488,813	362,191
Pension and retirement benefits		
– Defined contribution plans (note 25)	25,298	18,141
– Defined benefit plans (note 25)	1,861	2,375
	515,972	382,707
Representing:		
– Continuing operations	515,972	376,343
– Discontinued operation	–	6,364
	515,972	382,707

Employee benefit expenses of US$150.4 million (2009: US$113.4 million) are included in operating costs in the consolidated profit and loss account.

10. Directors' and management's emoluments

(a) Directors' emoluments

The remuneration of every Director is set out below:

Name of Director US$'000	Fees	Salary	Discretionary bonuses	Employer's contribution to provident fund scheme	Total
For the year ended 31st December 2010					
Mr. C C Tung	107	566	–	57	730
Mr. Tsann Rong Chang	26	–	–	–	26
Mr. Roger King	60	–	–	–	60
Mr. Kenneth G Cambie	–	404	385	20	809
Mr. Philip Chow	–	513	–	51	564
Mr. Alan Tung	–	267	1,538	27	1,832
Mr. Simon Murray	19	–	–	–	19
Prof. Richard Wong	32	–	–	–	32
Mr. Edward Cheng	19	–	–	–	19

The discretionary bonuses paid in 2010 relate to the disposal of Orient Overseas Developments Limited group as mentioned in note 1 above.

Name of Director US$'000	Fees	Salary	Discretionary bonuses	Employer's contribution to provident fund scheme	Total
For the year ended 31st December 2009					
Mr. C C Tung	107	566	168	73	914
Mr. Tsann Rong Chang	26	–	–	–	26
Mr. Roger King	60	–	–	–	60
Mr. Kenneth G Cambie	–	398	128	26	552
Mr. Philip Chow	–	507	196	70	773
Mr. Alan Tung	–	263	44	31	338
Mr. Simon Murray	19	–	–	–	19
Dr. Victor K Fung	11	–	–	–	11
Prof. Richard Wong	30	–	–	–	30
Mr. Edward Cheng	15	–	–	–	15

The discretionary bonuses paid in 2009 relate to performance for year 2008.

None of the Directors has waived the right to receive their emoluments.

10. Directors' and management's emoluments (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2009: three) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2009: two) individuals are as follows:

US$'000	2010	2009
Basic salaries, housing allowances, other allowances and benefits in kind	550	744
Discretionary bonuses	1,410	261
Pension costs – defined contribution plans	49	101
	2,009	1,106

The emoluments of the five individuals fell within the following bands:

Emolument bands (US$)		Number of individuals 2010	2009
512,801 ~ 576,900	(HK$4,000,001 ~ HK$4,500,000)	–	2
576,901 ~ 641,000	(HK$4,500,001 ~ HK$5,000,000)	–	1
705,101 ~ 769,200	(HK$5,500,001 ~ HK$6,000,000)	2	–
769,201 ~ 833,300	(HK$6,000,001 ~ HK$6,500,000)	1	1
897,401 ~ 961,500	(HK$7,000,001 ~ HK$7,500,000)	–	1
1,282,001 ~ 1,346,100	(HK$10,000,001 ~ HK$10,500,000)	1	–
1,794,801 ~ 1,858,900	(HK$14,000,001 ~ HK$14,500,000)	1	–
		5	5

(c) Key management compensation

US$'000	2010	2009
Salaries and other short-term employee benefits	6,259	5,499
Pension costs – defined contribution plans	388	502
	6,647	6,001

The Group usually determines and pays discretionary bonuses to employees (including Directors) around April/May each year based on the actual financial results of the Group for the preceding year. Save for the discretionary bonuses paid in relation to the disposal of Orient Overseas Developments Limited group, the discretionary bonuses shown above represent actual payments to the Directors and individuals during the current financial year in relation to performance for the preceding year.

11. Operating profit/(loss)

US$'000	2010 Continuing operations	2010 Discontinued operation	2009 Continuing operations	2009 Discontinued operation
Operating profit/(loss) is arrived at after crediting:				
Operating lease rental income				
Land and buildings	**24,560**	–	24,197	–
and after charging:				
Depreciation				
Owned assets	**169,029**	–	126,809	3,449
Leased assets	**85,981**	–	77,017	–
Operating lease rental expense				
Vessels and equipment	**353,575**	–	469,892	–
Land and buildings	**27,778**	–	28,055	1,408
Rental outgoings in respect of an investment property	**12,807**	–	14,413	–
Amortisation of intangible assets	**10,501**	–	6,395	–
Amortisation of prepayments of lease premiums	**471**	–	487	96
Auditors' remuneration				
Audit	**2,450**	–	2,337	148
Non-audit	**1,809**	–	959	–

Operating lease rental expenses of US$352.4 million and US$29.0 million (2009: US$469.9 million and US$29.5 million) respectively are included in operating costs and other operating expenses in the consolidated profit and loss account.

12. Finance costs

US$'000	2010	2009
Interest expense		
Bank loans and bank overdrafts		
Wholly repayable within five years	**6,281**	6,346
Not wholly repayable within five years	**8,131**	4,235
Loans from non-controlling interests		
Wholly repayable within five years	**276**	85
Not wholly repayable within five years	–	2,730
Finance lease obligations		
Wholly repayable within five years	**4,014**	6,122
Not wholly repayable within five years	**11,238**	16,249
	29,940	35,767
Amount capitalised under assets	**(849)**	(2,024)
Net interest expense	**29,091**	33,743
Dividend on preference shares	–	1,604
	29,091	35,347

The borrowing cost of the loans to finance the vessels under construction (note 17) represents an average capitalisation rate of approximately 1.2% (2009: 1.0%).

13. Taxation

US$'000	2010	2009
Current taxation		
Hong Kong profits tax	1,313	5
Overseas taxation	19,137	10,232
	20,450	10,237
Deferred taxation		
Overseas taxation	8,509	3,997
	28,959	14,234

Taxation has been provided at the appropriate tax rates prevailing in the countries in which the Group operates on the estimated assessable profits for the year. These rates range from 12% to 47% (2009: 12% to 47%) and the rate applicable for Hong Kong profits tax is 16.5% (2009: 16.5%).

The associated companies in the People's Republic of China enjoy preferential tax treatment.

The tax of the Group's profit/(loss) before taxation differs from the theoretical amount that would arise using the applicable tax rate, being the weighted average of rates prevailing in the territories in which the Group operates, as follows:

US$'000	2010	2009
Profit/(loss) before taxation	898,776	(361,870)
Share of profits of jointly controlled entities	(1,659)	(1,099)
Share of profits of associated companies	(7,401)	(4,615)
	889,716	(367,584)
Tax calculated at applicable tax rates	171,814	(55,232)
Income not subject to tax	(202,051)	(29,243)
Expenses not deductible for tax purposes	61,972	95,197
Tax losses not recognised	771	4,688
Temporary differences not recognised	(124)	993
Utilisation of previously unrecognised tax losses	(4,705)	(1,269)
Utilisation of previously unrecognised temporary differences	593	(1,871)
Recognition of previously unrecognised temporary differences	–	(90)
Change in tax rates	(116)	(10)
Withholding tax	130	121
Other items	675	950
	28,959	14,234

14. Earnings/(loss) per ordinary share

The calculation of basic and diluted earnings/(loss) per ordinary share is based on the Group's profit/(loss) attributable to equity holders of the Company divided by the number of ordinary shares in issue during the year.

The basic and diluted earnings/(loss) per ordinary share are the same since there are no potential dilutive shares.

US$'000	2010	2009
Number of ordinary shares in issue (thousands)	625,793	625,793
Group's profit/(loss) from continuing operations attributable to:		
Equity holders of the Company	862,226	(377,891)
Non-controlling interests	7,591	1,787
	869,817	(376,104)
Earnings/(loss) per share from continuing operations attributable to equity holders of the Company (US cents)	137.8	(60.4)
Group's profit/(loss) from discontinued operation attributable to:		
Equity holders of the Company	1,004,554	(24,403)
Non-controlling interests	–	(98)
	1,004,554	(24,501)
Earnings/(loss) per share from discontinued operation attributable to equity holders of the Company (US cents)	160.5	(3.9)

15. Dividends

US$'000	2010	2009
Interim paid of US11.5 cents (2009: nil) per ordinary share	72,013	–
Special paid of US40.0 cents (2009: nil) per ordinary share	250,480	–
Proposed final of US23.0 cents (2009: nil) per ordinary share	143,932	–
Proposed special of US209.3 cents (2009: nil) per ordinary share	1,309,785	–
	1,776,210	–

The Board of Directors proposes a final dividend in respect of 2010 of US23.0 cents (2009: nil) per ordinary share. In addition, the Board of Directors proposes a special dividend of US209.3 cents per ordinary share from the proceeds of the OODL sale. These proposed dividends will be accounted for as an appropriation of retained profit in the year ending 31st December 2011.

16. Discontinued operation and assets held for sale

An analysis of the results, cash flows and assets and liabilities of the Disposal Group is as follows:

(a) Discontinued operation

US$'000	2010	2009
Group		
(i) Results		
Revenue	–	4,435
Operating costs	–	(8,169)
Gross loss	–	(3,734)
Other operating income	–	997
Other operating expenses	–	(19,493)
Operating loss	–	(22,230)
Finance costs	–	(2,981)
Share of profits of jointly controlled entities	–	1,080
Loss before taxation	–	(24,131)
Taxation	–	(370)
Profit on disposal of subsidiaries	1,004,554	–
Profit/(loss) from discontinued operation	1,004,554	(24,501)
(ii) Cash flows		
Operating cash flows	–	(223,927)
Investing cash flows	1,004,554	19,747
Financing cash flows	–	(56,754)
Total cash flows	1,004,554	(260,934)

(b) Assets held for sale

US$'000	Note	As at 31st December 2009
Group		
ASSETS		
Non-current assets		
Property, plant and equipment	17	104,010
Prepayments of lease premiums	19	3,467
Goodwill		23,599
Jointly controlled entities	21	9,804
Deferred tax assets	24	592
		141,472
Current assets		
Inventories		218
Properties under development and for sale		855,886
Debtors and prepayments		8,554
Cash and bank balances		262,124
		1,126,782
Total assets		1,268,254

16. Discontinued operation and assets held for sale (Continued)

(c) Liabilities directly associated with assets held for sale

US$'000	Note	As at 31st December 2009
Group		
LIABILITIES		
Non-current liabilities		
Borrowings, secured		87,565
Deferred taxation liabilities	24	11,377
		98,942
Current liabilities		
Creditors and accruals		39,639
Amount due to a jointly controlled entity		1,800
Current taxation		2,025
		43,464
Total liabilities		142,406

(d) Cumulative income recognised directly in equity relating to Disposal Group classified as held for sale

US$'000	2010	2009
Currency translation adjustments	–	59,011

Note:

The aggregate net book amounts of assets pledged as securities for loans amount to US$258.2 million.

US$'000	As at 31st December 2009
Company	
Asset held for sale	
ASSET	
Current asset	
Amount due from a subsidiary	1,037,388

17. Property, plant and equipment

US$'000	Container vessels and capitalised dry-docking costs	Vessels under construction	Containers	Chassis	Freehold land and buildings outside Hong Kong	Buildings outside Hong Kong	Leasehold improvement and furniture	Vehicles, computer and other equipment	Total
Group									
Cost									
At 31st December 2009	2,645,672	822,486	1,082,035	159,614	7,143	40,047	50,124	264,619	5,071,740
Currency translation adjustments	–	–	–	16	210	1,105	1,027	1,196	3,554
Additions	11,353	201,814	116,941	75	–	2,647	778	7,604	341,212
Reclassification	804,115	(804,115)	–	–	–	–	–	–	–
Disposals	(62,361)	–	(20,510)	(6,851)	–	–	(544)	(9,905)	(100,171)
At 31st December 2010	**3,398,779**	**220,185**	**1,178,466**	**152,854**	**7,353**	**43,799**	**51,385**	**263,514**	**5,316,335**
Accumulated depreciation									
At 31st December 2009	622,451	–	314,542	114,172	2,216	11,573	35,977	172,761	1,273,692
Currency translation adjustments	–	–	–	7	94	339	761	941	2,142
Charge for the year	126,190	–	93,286	5,523	123	1,578	5,999	22,311	255,010
Disposals	(52,648)	–	(7,935)	(4,645)	–	–	(371)	(9,277)	(74,876)
At 31st December 2010	**695,993**	**–**	**399,893**	**115,057**	**2,433**	**13,490**	**42,366**	**186,736**	**1,455,968**
Net book amount									
At 31st December 2010	**2,702,786**	**220,185**	**778,573**	**37,797**	**4,920**	**30,309**	**9,019**	**76,778**	**3,860,367**
At 31st December 2009	2,023,221	822,486	767,493	45,442	4,927	28,474	14,147	91,858	3,798,048
Net book amount of leased assets									
At 31st December 2010	**1,297,779**	**–**	**285,903**	**–**	**–**	**–**	**–**	**563**	**1,584,245**
At 31st December 2009	1,220,801	–	320,802	2,652	–	–	–	9,276	1,553,531

17. Property, plant and equipment (Continued)

US$'000	Container vessels and capitalised dry-docking costs	Vessels under construction	Containers	Chassis	Freehold land and buildings outside Hong Kong	Buildings outside Hong Kong	Leasehold improvement and furniture	Vehicles, computer and other equipment	Total
Group									
Cost									
At 31st December 2008	2,304,236	864,691	1,130,040	162,489	7,057	136,480	52,120	256,909	**4,914,022**
Currency translation adjustments	–	–	–	1	86	101	761	477	**1,426**
Additions	48,521	292,662	–	520	–	9,039	5,821	11,197	**367,760**
Classified as assets held for sale (note 16)	–	–	–	–	–	(105,573)	(2,391)	(814)	**(108,778)**
Reclassification	334,867	(334,867)	–	–	–	–	–	–	**–**
Asset revaluation reserve	(4,728)	–	–	–	–	–	–	–	**(4,728)**
Disposals	(37,224)	–	(48,005)	(3,396)	–	–	(6,187)	(3,150)	**(97,962)**
At 31st December 2009	2,645,672	822,486	1,082,035	159,614	7,143	40,047	50,124	264,619	**5,071,740**
Accumulated depreciation									
At 31st December 2008	558,059	–	272,550	110,619	2,067	10,871	31,619	147,292	**1,133,077**
Currency translation adjustments	–	–	–	–	33	4	558	390	**985**
Charge for the year	93,128	–	69,385	5,959	116	4,339	7,731	26,617	**207,275**
Classified as assets held for sale (note 16)	–	–	–	–	–	(3,641)	(707)	(420)	**(4,768)**
Disposals	(28,736)	–	(27,393)	(2,406)	–	–	(3,224)	(1,118)	**(62,877)**
At 31st December 2009	622,451	–	314,542	114,172	2,216	11,573	35,977	172,761	**1,273,692**
Net book amount									
At 31st December 2009	2,023,221	822,486	767,493	45,442	4,927	28,474	14,147	91,858	**3,798,048**
At 31st December 2008	1,746,177	864,691	857,490	51,870	4,990	125,609	20,501	109,617	**3,780,945**
Net book amount of leased assets									
At 31st December 2009	1,220,801	–	320,802	2,652	–	–	–	9,276	**1,553,531**
At 31st December 2008	1,128,116	134,880	350,542	3,282	–	–	–	1,334	**1,618,154**

(a) As at 31st December 2009, container vessels included two vessels which were previously operated under finance lease terms and direct ownership was acquired by the Group in May 1990. These vessels were carried at Directors' valuation, representing the then purchase consideration which were determined by reference to professional valuations on a cum-charter open market basis of US$58.0 million. Subsequent revaluations of these vessels were not required to be made in accordance with paragraph 80A of Hong Kong Accounting Standard 16 "Property, plant and equipment". Had these vessels been carried at cost, the net book amount of the container vessels would have been reduced by US$0.3 million. These two vessels were disposed of during the year ended 31st December 2010.

(b) Apart from the container vessels mentioned under (a) above, all other property, plant and equipment are carried at cost.

(c) The aggregate net book amount of assets pledged as securities for borrowings amounts to US$1,463.5 million (2009: US$1,111.0 million). Specific charges on vessels of the Group include legal mortgages and assignments of insurance claims and charterhire income relating to these vessels.

(d) Interest costs of US$0.8 million (2009: US$2.0 million) during the year were capitalised as part of vessels under construction.

(e) Depreciation charge of US$233.7 million (2009: US$179.7 million) for the year has been expensed in operating costs and US$21.3 million (2009: US$24.2 million) in other operating expenses and US$ nil (2009: US$3.4 million) in discontinued operation.

(f) As at 31st December 2010 and 2009, the buildings outside Hong Kong are held under medium-term leasehold land.

18. Investment property

US$'000	2010	2009
Group		
Balance at beginning of year	150,000	175,000
Fair value gain/(loss)	5,000	(25,000)
Balance at end of year	155,000	150,000

The investment property, "Wall Street Plaza", is a commercial property located at 88, Pine Street, New York, USA. The property is situated on three parcels of freehold land, two of which are wholly owned by the Group. The freehold interest in the third parcel, representing approximately 10% of the site, is owned 50% by the Group and under a long-term lease to the Group expiring in the year 2066. The property is stated at Directors' valuation of US$155.0 million (2009: US$150.0 million), by reference to a professional valuation made by an independent valuer in December 2010 on an open market basis.

The investment property was pledged for bank borrowings in 2009.

19. Prepayments of lease premiums

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments for leases of between 10 and 50 years and their net book values are analysed as follows:

US$'000	2010	2009
Group		
Leasehold land outside Hong Kong	10,122	10,175
Balance at beginning of year	10,175	14,201
Currency translation adjustments	418	24
Classified as assets held for sale (note 16)	–	(3,467)
Amortisation	(471)	(583)
Balance at end of year	10,122	10,175

Amortisation of US$0.5 million (2009: US$0.6 million) is included in "other operating expenses" in the consolidated profit and loss account.

20. Subsidiaries

US$'000	2010	2009
Company		
Unlisted shares, at cost less provision	169,487	169,487
Non-current		
Amount due to a subsidiary	719,730	717,863
Current		
Amounts due from subsidiaries	3,732,353	1,006,770
Amounts due to subsidiaries	1,197,927	255,841

The amounts due from and to subsidiaries are interest free, unsecured and have no specific terms of repayment, except for amount payable of US$719.7 million (2009: US$717.9 million) which is not repayable within one year.

Particulars of the principal subsidiaries at 31st December 2010 are shown on pages 130 to 136.

21. Jointly controlled entities

US$'000	2010	2009
Group		
Balance at beginning of year	**5,404**	14,896
Share of results		
Profit before taxation		
– from continuing operations	**1,868**	1,280
– from discontinued operation	**–**	1,180
Taxation		
– from continuing operations	**(209)**	(181)
– from discontinued operation	**–**	(100)
	7,063	17,075
Currency translation adjustments	**230**	14
Classified as assets held for sale (note 16)	**–**	(9,804)
Dividends received	**(1,233)**	(1,881)
Balance at end of year	**6,060**	5,404
Share of net assets	**6,060**	5,404
Amounts payable	**(2,804)**	(939)
	3,256	4,465

The amounts payable are unsecured, interest free and have no specific repayment terms.

The Group's share of assets, liabilities and results of the jointly controlled entities are summarised below:

US$'000	2010	2009
Non-current assets	**262**	15
Current assets	**6,341**	5,763
Non-current liabilities	**(34)**	–
Current liabilities	**(509)**	(374)
	6,060	5,404
Income	**5,218**	4,030
Expenses	**(3,559)**	(2,931)

Particulars of the jointly controlled entities at 31st December 2010 are shown on page 136.

22. Associated companies

US$'000	2010	2009
Group		
Share of net assets		
Balance at beginning of year	**59,737**	57,163
Share of results		
– Profit for the year	**7,401**	4,615
	67,138	61,778
Currency translation adjustments	**1,881**	57
Dividend received	**(2,797)**	(2,098)
Balance at end of year	**66,222**	59,737

22. Associated companies (Continued)

The Group's share of assets, liabilities and results of the associated companies are summarised as follows:

US$'000	2010	2009
Non-current assets	116,429	100,369
Current assets	5,827	5,275
Non-current liabilities	(35,968)	(41,826)
Current liabilities	(20,066)	(4,081)
	66,222	59,737
Income	24,904	20,836
Expenses	(17,503)	(16,221)

Particulars of the associated companies at 31st December 2010 are shown on page 136.

23. Intangible assets

US$'000	Computer software development costs
Group	
At 1st January 2009	
Cost	102,724
Accumulated amortisation	(55,626)
Net book amount	47,098
Year ended 31st December 2009	
Opening net book amount	47,098
Additions	12,401
Amortisation	(6,395)
Closing net book amount	53,104
At 31st December 2009	
Cost	110,788
Accumulated amortisation	(57,684)
Net book amount	53,104
Year ended 31st December 2010	
Opening net book amount	53,104
Currency translation adjustments	2
Additions	4,043
Amortisation	(10,501)
Closing net book amount	46,648
At 31st December 2010	
Cost	114,480
Accumulated amortisation	(67,832)
Net book amount	46,648

Computer software development costs mainly comprise internally generated capitalised software development costs.

Amortisation of US$10.5 million (2009: US$6.4 million) is included in "other operating expenses" in the consolidated profit and loss account.

24. Deferred taxation assets/(liabilities)

US$'000	2010	2009
Group		
Deferred taxation assets	1,778	847
Deferred taxation liabilities	(39,914)	(30,697)
	(38,136)	(29,850)

Deferred taxation assets and liabilities are offset when there is a legal right to set off current taxation assets with current taxation liabilities and when the deferred taxation relates to the same authority. The above assets/(liabilities) shown in the consolidated balance sheet are determined after appropriate offsetting of the relevant amounts and include the following:

US$'000	2010	2009
Deferred taxation assets to be recovered after more than twelve months	923	–
Deferred taxation liabilities to be settled after more than twelve months	(39,914)	(30,697)

Deferred taxation is calculated in full on temporary differences under the liability method using applicable tax rates prevailing in the countries in which the Group operates. Movements on the deferred taxation account are as follows:

US$'000	Revenue expenditure	Tax losses	Total
Deferred taxation assets			
At 31st December 2008	8,982	2,123	11,105
Currency translation adjustments	59	2	61
Credited to consolidated profit and loss account	921	1,216	2,137
Classified as assets held for sale (note 16)	(186)	(406)	(592)
At 31st December 2009	9,776	2,935	12,711
Currency translation adjustments	26	(25)	1
Credited/(charged) to consolidated profit and loss account	405	(911)	(506)
At 31st December 2010	**10,207**	**1,999**	**12,206**

US$'000	Depreciation allowances	Revaluation	Pensions	Revenue expenditure	Total
Deferred taxation liabilities					
At 31st December 2008	14,675	22,510	1,179	9,422	47,786
Currency translation adjustments	(109)	–	(17)	7	(119)
Charged/(credited) to consolidated profit and loss account	3,794	(1,070)	3,604	(57)	6,271
Classified as liabilities directly associated with assets held for sale (note 16)	–	(3,792)	–	(7,585)	(11,377)
At 31st December 2009	18,360	17,648	4,766	1,787	42,561
Currency translation adjustments	(35)	–	(173)	(14)	(222)
Charged/(credited) to consolidated profit and loss account	1,123	5,822	1,913	(855)	8,003
At 31st December 2010	**19,448**	**23,470**	**6,506**	**918**	**50,342**

Deferred taxation assets of US$16.7 million (2009: US$13.3 million) arising from unused tax losses of US$73.2 million (2009: US$59.5 million) have not been recognised in the consolidated accounts. Unused tax losses of US$57.5 million (2009: US$51.2 million) have no expiry date and the balance will expire at various dates up to and including 2015.

Deferred taxation liabilities of US$28.3 million (2009: US$32.4 million) on temporary differences associated with investments in subsidiaries of US$189.2 million (2009: US$176.4 million) have not been recognised as there is no current intention of remitting the retained profit of these subsidiaries to the holding companies in the foreseeable future.

25. Pension and retirement benefits

The Group operates a number of defined benefit and defined contribution pension and retirement schemes in the main countries in which the Group operates. The total charges to the consolidated profit and loss account for the year were US$27.2 million (2009: US$20.5 million).

Defined contribution schemes

The principal defined contribution schemes are operated in Hong Kong and the USA. These schemes cover approximately 80% of the Group's employees. Contributions to the defined contribution schemes, all the assets of which are held in trust funds separate from the Group, are based on a percentage of an employee's salary, depending upon the length of service of the employee, but the Group's contributions to certain schemes may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in those contributions. The charges for the defined contribution schemes to the consolidated profit and loss account during the year are as follows:

US$'000	2010	2009
Group		
Contributions to the schemes	25,394	18,152
Forfeitures utilised	(96)	(11)
	25,298	18,141

Contributions totalling US$12.8 million (2009: US$14.1 million) were payable to the schemes at the balance sheet date.

Defined benefit schemes

The amounts recognised in the consolidated balance sheet are as follows:

US$'000	Note	2010	2009
Group			
Schemes assets		29,692	27,213
Schemes liabilities		(2,493)	(3,130)
Net schemes assets	(a)	27,199	24,083
Representing:			
Pension and retirement assets		29,692	27,213
Pension and retirement liabilities		(2,493)	(3,130)
		27,199	24,083

The charges recognised in the consolidated profit and loss account are as follows:

US$'000	Note	2010	2009
Charge for the year	(a)	1,861	2,375

In previous year, the Group terminated the defined benefit scheme and post-retirement medical plans in the USA at the request of the labour unions. All the pension assets and obligations were transferred to a defined benefit multi-employer pension plan and a defined benefit multi-employer post-retirement medical plan (the "Plans") together with other industry players. Since the Group is not able to identify its share of the underlying financial position and performance of the Plans with sufficient reliability for accounting purposes, accordingly the Plans are accounted for by the Group as defined contribution plans.

25. Pension and retirement benefits (Continued)

(a) Net schemes assets

The principal defined benefit schemes are operated in the United Kingdom and Japan, which were valued by Towers Watson Limited and Japan Pension Navigator Co., Ltd. respectively. The defined benefit schemes (the "Schemes") cover approximately 2% of the Group's employees and are funded. The assets of the funded schemes are held in trust funds separate from the Group. Contributions to these schemes are assessed in accordance with the advice of qualified actuaries in compliance with local practice and regulations. The actuarial assumptions used to calculate the projected benefit obligations of the Group's pension schemes vary according to the economic conditions of the countries in which they are situated.

The net schemes assets recognised in the consolidated balance sheet are determined as follows:

US$'000	2010	2009
Fair value of plan assets	233,697	225,993
Present value of funded obligations	(229,496)	(237,837)
	4,201	(11,844)
Unrecognised actuarial losses	22,998	35,927
Net schemes assets	27,199	24,083

Movements in the fair value of the plan assets of the schemes during the year are as follows:

US$'000	2010	2009
Balance at beginning of year	225,993	197,498
Currency translation adjustments	(6,814)	20,758
Expected return on plan assets	12,732	11,632
Actuarial gains	10,327	6,497
Contributions from the Group	5,869	5,725
Contributions from plan members	151	191
Benefits paid	(14,561)	(16,308)
Balance at end of year	233,697	225,993

Movements in the present value of obligations of the schemes during the year are as follows:

US$'000	2010	2009
Balance at beginning of year	237,837	182,312
Currency translation adjustments	(7,190)	18,105
Current service cost	2,744	2,334
Interest cost	11,849	11,673
Actuarial (gains)/losses	(1,334)	39,530
Contributions from the plan members	151	191
Benefits paid	(14,561)	(16,308)
Balance at end of year	229,496	237,837

25. Pension and retirement benefits (Continued)

(a) Net schemes assets (Continued)

The charges of the schemes recognised in the consolidated profit and loss account are as follows:

US$'000	2010	2009
Current service cost	2,744	2,334
Interest cost	11,849	11,673
Expected return on plan assets	(12,732)	(11,632)
Net expense recognised for the year	1,861	2,375

Charges of US$1.9 million (2009: US$2.4 million) were included in other operating expenses in the consolidated profit and loss account.

The main actuarial assumptions made for the schemes are as follows:

	2010	2009
Discount rate	2 to 5%	2 to 6%
Expected return on plan assets	1 to 6%	1 to 6%
Expected future salary increases	4 to 5%	4 to 5%
Expected future pension increases	3%	3%
Actual return on plan assets (US$'000)	23,068	20,277

Plan assets of the schemes comprise the following:

US$'000	2010		2009	
Equity	84,341	36%	77,069	34%
Debt	134,267	58%	136,797	61%
Others	15,089	6%	12,127	5%
	233,697	100%	225,993	100%

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity reflect long-term real rates of return experienced in the respective markets.

(b) The experience adjustments of 2008 to 2010 are as follows:

US$'000	2010	2009	2008
Fair value of plan assets	233,697	225,993	197,498
Present value of defined benefit obligations	(229,496)	(237,837)	(182,312)
Plan surplus/(deficit)	4,201	(11,844)	15,186
Experience adjustment on plan assets	(10,516)	(8,798)	14,601
Percentage of plan assets (%)	-4.5%	-3.9%	7.4%
Experience adjustment on plan obligations	(1,869)	(625)	(904)
Percentage of plan obligations (%)	-0.8%	-0.3%	-0.5%

26. Restricted bank balances

US$'000	2010	2009
Group		
Non-current	**4,648**	447
Current	**1,206**	1,760
Restricted bank balances	**5,854**	2,207

As at 31st December 2010, the restricted bank balances of US$5.9 million (2009: US$2.2 million) are funds pledged as securities for banking facilities or required to be utilised for specific purposes.

The carrying amounts of the Group's restricted bank balances are mainly denominated in US dollar (2009: New Taiwanese dollar).

The credit quality of restricted bank balances by reference to Standard & Poor's and/or Moody's credit ratings is as follows:

US$'000	2010	2009
Group		
AA	**222**	378
A	**5,632**	992
BBB	**–**	837
	5,854	2,207

US$'000	2010	2009
Company		
Restricted bank balances	**197**	193

27. Other non-current assets

US$'000	Note	2010	2009
Group			
Available-for-sale financial assets	(a)	**118,275**	48,206
Held-to-maturity investments	(b)	**121,737**	79,038
Loan to an investee company	(c)	**71,100**	71,100
Other deposit		**11,825**	11,825
Others		**10,064**	9,501
		333,001	219,670

27. Other non-current assets (Continued)

(a) Available-for-sale financial assets

US$'000	2010	2009
Group		
Balance at beginning of year	48,206	59,646
Currency translation adjustments	191	51
Additions	343	60
Disposals	(2,399)	(3,971)
Change in fair value transferred to equity	71,934	(7,580)
Balance at end of year	118,275	48,206

The fair value of unlisted equity securities is estimated with reference to a valuation performed by an independent third party using market approach.

Available-for-sale financial assets include the following:

US$'000	2010	2009
Listed equity securities		
Hong Kong	1,948	3,440
Overseas	8	8
Market value of listed equity securities	1,956	3,448
Unlisted equity securities	114,340	42,935
Others	1,979	1,823
	118,275	48,206

The carrying amounts of the Group's available-for-sale financial assets are denominated in the following currencies:

US$'000	2010	2009
Renminbi	114,300	42,900
Hong Kong dollar	3,100	4,397
Other currencies	875	909
	118,275	48,206

27. Other non-current assets (Continued)

(b) Held-to-maturity investments

US$'000	2010	2009
Group		
Listed debt securities		
Hong Kong	80,321	26,734
Overseas	41,416	51,504
	121,737	78,238
Unlisted debt securities		
Hong Kong	–	800
	121,737	79,038
Market value	123,463	81,605

Movements in held-to-maturity investments are as follows:

US$'000	2010	2009
Balance at beginning of year	79,038	36,632
Additions	72,776	50,065
Disposals/redemption on maturity	(30,217)	(7,875)
Amortisation	140	216
Balance at end of year	121,737	79,038

The carrying amounts of held-to-maturity investments are mainly denominated in US dollar.

The credit quality of held-to-maturity investments by reference to Standard & Poor's and/or Moody's credit ratings is as follows:

US$'000	2010	2009
AAA	9,470	10,968
AA	5,949	3,478
A	39,006	42,581
BBB	46,150	12,031
Non-ranking	21,162	9,980
	121,737	79,038

The maximum exposure to credit risk at the reporting date is the carrying amount of held-to-maturity investments.

(c) Loan to an investee company

The loan represents equity funding to the investee company and is interest free, unsecured and has no specific terms of repayment.

28. Inventories

US$'000	2010	2009
Group		
Bunker	85,142	73,933
Consumable stores	11,123	9,628
	96,265	83,561

The cost of inventories recognised as expense and included in operating costs amounts to US$856.5 million (2009: US$674.4 million).

29. Debtors and prepayments

US$'000	2010	2009
Group		
Trade receivables		
– Fully performing	207,356	158,832
– Past due but not impaired	90,206	77,171
– Impaired and provided for	4,597	5,664
	302,159	241,667
Less: provision for impairment	(4,597)	(5,664)
Trade receivables – net	297,562	236,003
Other debtors	60,146	39,364
Other prepayments	77,467	80,321
Utility and other deposits	7,139	7,518
Tax recoverable	12,683	17,028
	454,997	380,234

The credit quality of trade receivables by reference to Standard & Poor's and/or Moody's credit ratings (if available) or to historical information about counterparty default rates is as follows:

US$'000	2010	2009
Group		
Counterparties with external credit rating		
A	13,429	11,997
BB	9,159	3,095
BBB	4,265	8,630
	26,853	23,722
Counterparties without external credit rating		
Group 1	13,990	17,828
Group 2	255,486	191,246
Group 3	1,233	3,207
	270,709	212,281
	297,562	236,003

Note:

Group 1 – new customers (less than 6 months).

Group 2 – existing customers (more than 6 months) with no defaults in the past.

Group 3 – existing customers (more than 6 months) with some defaults in the past.

Trade receivables are normally due for payment on presentation of invoices or granted with an approved credit period ranging mainly from 10 to 45 days. Trade receivables with overdue balances are requested to settle all outstanding balances before any further credit is granted.

The majority of past due but not impaired trade receivables are less than three months. The ageing analysis of the Group's trade receivables, net of provision for impairment, prepared in accordance with the due date of invoices, is as follows:

US$'000	2010	2009
Below one month	283,418	223,184
Two to three months	13,539	12,397
Four to six months	605	422
	297,562	236,003

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of internationally dispersed customers. Other debtors are fully performing.

29. Debtors and prepayments (Continued)

The carrying amounts of the Group's trade receivables are mainly denominated in US dollar.

Movements on the provision for impairment of trade receivables are as follows:

US$'000	2010	2009
Group		
Balance at beginning of year	5,664	4,072
Provision	1,164	2,602
Write off	(821)	(762)
Unused amounts reversed	(1,410)	(248)
Balance at end of year	4,597	5,664

The provision for impairment has been included in "other operating expenses" in the consolidated profit and loss account.

30. Portfolio investments

US$'000	2010	2009
Group		
Listed equity securities		
Hong Kong	26,981	15,068
Overseas	531	559
Market value of listed equity securities	27,512	15,627
Unit trust	4,907	4,110
Listed debt securities		
Hong Kong	33,389	3,135
Overseas	85,544	21,646
Others	96	74
	151,448	44,592

The carrying amounts of the Group's portfolio investments are mainly denominated in US dollar.

The credit quality of listed debt securities by reference to Standard & Poor's and/or Moody's credit ratings is as follows:

US$'000	2010	2009
Group		
AAA	7,326	430
AA	5,849	2,566
A	63,054	19,493
BBB	29,720	2,292
BB	1,818	–
Non-ranking	11,166	–
	118,933	24,781

The fair values of all equity securities and debt securities are based on their current bid prices in an active market.

31. Derivative financial instruments

US$'000	2010	2009
Assets		
Non-current assets		
Interest rate swap contracts	5,672	–
Current assets		
Interest rate swap contracts	155	2,965
Liabilities		
Non-current liabilities		
Interest rate swap contract	(3,353)	–
Foreign exchange forward contract	(6,804)	–
	(10,157)	–
Current liability		
Foreign exchange forward contract	–	(6,110)

The credit quality of derivative financial assets by reference to the Standard & Poor's and/or Moody's credit rating is as follows:

US$'000	2010	2009
AA	5,827	2,965

(a) Foreign exchange forward contract

The notional principal amount of the outstanding foreign exchange forward contract at 31st December 2010 was US$38.8 million (2009: US$43.4 million).

(b) Interest rate swap contracts

The notional amounts of the outstanding interest rate swap contracts at 31st December 2010 were US$260.2 million (2009: US$228.9 million).

US$'000	2010	2009
Company		
Non-current liability		
Interest rate swap contract	(3,353)	–

32. Cash and bank balances

US$'000	2010	2009
Group		
Short-term bank deposits		
– Maturing within three months from the date of placement	856,032	684,279
Cash at bank and in hand	357,329	404,120
	1,213,361	1,088,399
Short-term bank deposits		
– Maturing more than three months from the date of placement	2,638,541	136,703
	3,851,902	1,225,102

The carrying amounts of the Group's cash and bank balances are mainly denominated in US dollar.

32. Cash and bank balances (Continued)

The credit quality of cash at bank and in hand and short-term bank deposits by reference to Standard & Poor's and/or Moody's credit ratings is as follows:

US$'000	2010	2009
Group		
AAA	5,660	5,029
AA	1,833,716	688,284
A	2,001,061	439,910
BBB	6,123	76,818
BB	1,187	1,433
Others	4,155	13,628
	3,851,902	1,225,102

US$'000	2010	2009
Company		
Short-term bank deposits		
– Maturing within three months from the date of placement	71,090	2,000
Cash at bank and in hand	25,165	37,579
Total cash and bank balances	96,255	39,579

33. Share capital

US$'000	2010	2009
Authorised:		
900,000,000 ordinary shares of US$0.10 each	90,000	90,000
65,000,000 convertible redeemable preferred shares of US$1 each	65,000	65,000
50,000,000 redeemable preferred shares of US$1 each	50,000	50,000
	205,000	205,000

	Number of shares (thousands)	Ordinary shares US$'000
Issued and fully paid:		
At 31st December 2009 and 2010	625,793	62,579

34. Reserves

US$'000	Share premium	Contributed surplus	Capital redemption reserve	Assets revaluation reserve: Vessels	Assets revaluation reserve: Available-for-sale financial assets	Foreign exchange translation reserve	Retained profit	Total
Group								
Balance at 31st December 2008	172,457	88,547	4,696	9,948	53,385	39,449	3,956,010	4,324,492
Total comprehensive income/(loss) for the year	–	–	–	(8,033)	(8,987)	5,114	(402,294)	(414,200)
2008 final dividend	–	–	–	–	–	–	(28,187)	(28,187)
Balance at 31st December 2009	172,457	88,547	4,696	1,915	44,398	44,563	3,525,529	3,882,105
Total comprehensive income/(loss) for the year	–	–	–	(1,915)	70,620	6,851	1,866,780	1,942,336
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	8,205	8,205
2010 interim dividend	–	–	–	–	–	–	(72,013)	(72,013)
2010 special dividend	–	–	–	–	–	–	(250,480)	(250,480)
Balance at 31st December 2010	**172,457**	**88,547**	**4,696**	**–**	**115,018**	**51,414**	**5,078,021**	**5,510,153**

US$'000	Share premium	Contributed surplus	Capital redemption reserve	Retained profit	Total
Company					
Balance at 31st December 2008	172,457	88,547	4,696	979,658	1,245,358
Total comprehensive loss for the year	–	–	–	(538)	(538)
2008 final dividend	–	–	–	(28,187)	(28,187)
Balance at 31st December 2009	172,457	88,547	4,696	950,933	1,216,633
Total comprehensive income for the year	–	–	–	1,075,139	1,075,139
2010 interim dividend	–	–	–	(72,013)	(72,013)
2010 special dividend	–	–	–	(250,480)	(250,480)
Balance at 31st December 2010	**172,457**	**88,547**	**4,696**	**1,703,579**	**1,969,279**

The profit attributable to shareholders for the year is dealt with in the accounts of the Company to the extent of US$1,075.1 million (2009: loss of US$0.5 million).

Under the Companies Act of Bermuda and the Bye-laws of the Company, the contributed surplus is also distributable. Accordingly, total distributable reserves of the Company amount to US$1,792.1 million as at 31st December 2010 (2009: US$1,039.5 million).

35. Borrowings

US$'000	2010	2009
Group		
Non-current		
Bank loans		
– Secured	851,177	491,225
– Unsecured	74,459	21,190
Loans from non-controlling interests		
– Secured	–	139,100
– Unsecured	–	18,232
Finance lease obligations	1,490,731	1,466,220
	2,416,367	2,135,967
Current		
Bank overdrafts, unsecured	78	145
Bank loans		
– Secured	117,621	146,623
– Unsecured	32,310	121,042
Loans from non-controlling interests		
– Secured	–	106,500
– Unsecured	–	9,562
Finance lease obligations	97,746	48,183
	247,755	432,055
Total borrowings	2,664,122	2,568,022

35. Borrowings (Continued)

The maturity of borrowings is as follows:

US$'000	Bank loans	Bank overdrafts	Loans from non-controlling interests	Finance leases Present value	Finance leases Minimum payments
As at 31st December 2010					
2011	**149,931**	**78**	**–**	**97,746**	**112,944**
2012	**153,474**	**–**	**–**	**253,304**	**267,528**
2013	**88,669**	**–**	**–**	**142,180**	**154,611**
2014	**53,352**	**–**	**–**	**46,570**	**59,171**
2015	**10,930**	**–**	**–**	**47,411**	**60,038**
2016 onwards	**619,211**	**–**	**–**	**1,001,266**	**1,120,615**
	1,075,567	**78**	**–**	**1,588,477**	**1,774,907**
Wholly repayable within five years	**297,873**	**78**	**–**	**358,037**	
Not wholly repayable within five years	**777,694**	**–**	**–**	**1,230,440**	
	1,075,567	**78**	**–**	**1,588,477**	
As at 31st December 2009					
2010	267,665	145	116,062	48,183	61,165
2011	126,305	–	3,962	91,770	105,087
2012	126,267	–	3,962	246,859	259,869
2013	60,997	–	3,962	135,458	147,486
2014	39,421	–	3,964	39,569	51,721
2015 onwards	159,425	–	141,482	952,564	1,072,911
	780,080	145	273,394	1,514,403	1,698,239
Wholly repayable within five years	557,062	145	5,608	364,363	
Not wholly repayable within five years	223,018	–	267,786	1,150,040	
	780,080	145	273,394	1,514,403	

Borrowings are secured by property, plant and equipment of the Group (note 17).

The effective interest rates at the balance sheet date were as follows:

	2010			2009			
	US$	**£**	**Others**	US$	£	RMB	Others
Bank loans	**1.1%**	**–**	**–**	1.4%	–	4.8%	–
Loans from non-controlling interests	**–**	**–**	**–**	0.4%	–	–	–
Finance lease obligations	**0.5%**	**1.1%**	**3.5%**	0.5%	1.0%	–	3.7%

35. Borrowings (Continued)

The carrying amounts and fair values of the non-current borrowings are as follows:

	Carrying amounts		Fair values	
US$'000	2010	2009	2010	2009
Bank loans	925,636	512,415	929,479	517,636
Loans from non-controlling interests	–	157,332	–	157,332
Finance lease obligations	1,490,731	1,466,220	1,490,731	1,466,220
	2,416,367	2,135,967	2,420,210	2,141,188

The fair values are based on cash flows discounted using a rate based on the borrowing rate of 2.3% (2009: 2.3%).

The carrying amounts of short-term borrowings approximate their fair values.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

US$'000	2010	2009
US dollar	2,628,835	2,523,717
Pound sterling	35,284	40,780
Renminbi	–	3,515
Other currencies	3	10
	2,664,122	2,568,022

The fixed interest rate borrowings of the Group as at 31st December 2010 amounted to US$58.3 million (2009: US$68.1 million). The remaining borrowings of US$2,605.8 million (2009: US$2,499.9 million) were subject to floating interest rates.

36. Creditors and accruals

US$'000	2010	2009
Group		
Trade payables	198,514	171,111
Other creditors	62,532	61,328
Accrued expenses	461,620	306,988
Deferred revenue	35,546	61,656
	758,212	601,083

The ageing analysis of the Group's trade payables, prepared in accordance with dates of invoices, is as follows:

US$'000	2010	2009
Below one month	131,765	117,856
Two to three months	61,882	49,532
Four to six months	4,697	3,463
Over six months	170	260
	198,514	171,111

The carrying amounts of the Group's trade payables are denominated in the following currencies:

US$'000	2010	2009
US dollar	79,885	59,786
Canadian dollar	11,115	12,850
Euro	13,398	13,441
Japanese yen	25,295	24,666
Hong Kong dollar	14,994	15,618
Renminbi	25,913	17,713
Other currencies	27,914	27,037
	198,514	171,111

37. Commitments

Group

(a) Capital commitments – Property, plant and equipment

US$'000	2010	2009
Contracted but not provided for		
– Continuing operations	690,422	711,803
– Discontinued operation	–	6,289
	690,422	718,092
Authorised but not contracted for		
– Continuing operations	229,735	16,587
	920,157	734,679

(b) Operating lease commitments

The future aggregate minimum lease rental expenses under non-cancellable operating leases are payable in the following years:

US$'000	Vessels and equipment	Land and buildings	Total
As at 31st December 2010			
2011	186,026	26,446	212,472
2012	108,044	15,692	123,736
2013	98,461	7,580	106,041
2014	96,415	4,098	100,513
2015	86,859	615	87,474
2016 onwards	426,136	158	426,294
	1,001,941	54,589	1,056,530
As at 31st December 2009			
2010	187,810	31,124	218,934
2011	133,427	21,943	155,370
2012	83,747	12,890	96,637
2013	81,220	6,171	87,391
2014	77,872	3,902	81,774
2015 onwards	500,097	1,375	501,472
	1,064,173	77,405	1,141,578

(c) Operating lease rental receivable

The future aggregate minimum lease rental incomes on land and buildings under non-cancellable operating leases are receivable in the following years:

US$'000	2010	2009
2010	–	20,809
2011	22,857	20,557
2012	22,366	20,371
2013	20,231	19,532
2014	19,138	18,605
2015	15,180	14,490
2016 onwards	44,918	38,015
	144,690	152,379

38. Financial guarantees

Group

The Group has not given any corporate guarantee as at 31st December 2010 (2009: nil).

Company

(a) The Company has given corporate guarantees of approximately US$2,790.6 million (2009: US$2,887.1 million) for its subsidiaries. As at 31st December 2010, the amounts utilised by the subsidiaries were US$2,669.9 million (2009: US$2,525.8 million).

At 31st December 2010, corporate guarantee given by the Company in relation to the Disposal Group amounted to US$nil (2009: US$86.9 million). At 31st December 2009, the amount utilised by the Disposal Group was US$86.9 million.

(b) The Company has given corporate guarantees for its subsidiaries in respect of future payment of operating lease rentals amounting to US$452.8 million (2009: US$278.1 million).

(c) The Company has given corporate guarantees of approximately US$394.1 million (2009: US$338.0 million) to its subsidiaries in respect of the instalments of shipbuilding contracts.

The Directors consider that the subsidiaries are financially resourceful in settling the obligations.

39. Notes to consolidated cash flow statement

(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations

US$'000	2010	2009
Operating profit/(loss) from continuing operations	918,807	(332,237)
Operating loss from discontinued operation	–	(22,230)
Interest income from banks	(18,526)	(9,110)
Interest income from portfolio and held-to-maturity investments	(8,151)	(4,795)
Dividend income from portfolio investments	(622)	(581)
Depreciation	255,010	207,275
Fair value (gain)/loss from an investment property	(5,000)	25,000
(Profit)/loss on disposal of property, plant and equipment	(6,924)	7,649
Income from available-for-sale financial assets	(7)	(85)
Profit on disposal of available-for-sale financial assets	(1,314)	(1,407)
(Gain)/loss on disposal of held-to-maturity investments	(2,044)	1,506
Amortisation of intangible assets	10,501	6,395
Amortisation of prepayments of lease premiums	471	583
Net loss/(gain) on derivative financial instruments	853	(1,982)
Change in net pension assets/liabilities	(3,116)	(6,146)
Operating profit/(loss) before working capital changes	1,139,938	(130,165)
Increase in properties under development and for sale	–	(27,735)
(Increase)/decrease in inventories	(12,704)	6,126
(Increase)/decrease in debtors and prepayments	(71,547)	44,969
Increase/(decrease) in creditors and accruals	156,703	(181,560)
Settlement of derivative financial instruments	332	(2,684)
Cash generated from/(used in) operations	1,212,722	(291,049)

39. Notes to consolidated cash flow statement (Continued)

(b) Disposal of subsidiaries

US$'000	2010	2009
Net assets disposed		
Property, plant and equipment	104,010	–
Prepayments of lease premiums	3,467	–
Goodwill	23,599	–
Jointly controlled entities	9,804	–
Deferred tax assets	592	–
Inventories	218	–
Properties under development and for sale	855,886	–
Debtors and prepayments	8,554	–
Cash and bank balances	262,124	–
Total assets	1,268,254	–
Borrowings, secured	(87,565)	–
Deferred taxation liabilities	(11,377)	–
Creditors and accruals	(39,639)	–
Amount due to a jointly controlled entity	(1,800)	–
Current taxation	(2,025)	–
Total liabilities	(142,406)	–
Net assets	1,125,848	–
Profit on disposal of subsidiaries	1,004,554	–
Cash consideration, net	2,130,402	–

(c) Major non-cash transactions

During the year, major non-cash transactions included the inception of finance leases of US$126.1 million (2009: US$2.7 million).

(d) Analysis of cash and cash equivalents

US$'000	2010	2009
Bank balances and deposits maturing within three months from the date of placement	1,213,361	1,088,399
Bank overdrafts	(78)	(145)
	1,213,283	1,088,254

40. Subsequent event

Subsequent to the reporting period, the Board of Directors made a resolution on 11th March 2011 to enter into shipbuilding contracts for the construction of vessels for a total consideration of approximately US$0.8 billion.

41. Approval of accounts

The accounts were approved by the Board of Directors on 11th March 2011.