Chairman's Report

COSCO Pacific has managed to deliver profits in 2009, despite turbulent times for the global container shipping market. We continue to focus on our terminal business as the key earnings growth driver, a strategy that will deliver sustainable growth. As a leading player in the market and a good corporate citizen, we look forward to the future with confidence and to enhancing shareholder value.

Dear Shareholders,

I have pleasure in presenting the annual report of COSCO Pacific for 2009, a year that was both challenging and eventful.

The Group faced severe economic conditions in the form of a global recession in 2009 and hence the difficult operating environment. GDP among the advanced countries fell an estimated 3.2% in 2009, according to the International Monetary Fund (IMF). The only major economy to achieve growth during the year was China, which according to the National Bureau of Statistics of China (NBSC) saw GDP rise by 8.7%.

Global trade was heavily impacted, with the IMF estimating a decline of 12.3% for the year. China's economic expansion came despite a substantial decrease in exports, which for the full year fell 16.0%. The sharp reduction in trade naturally led to a fall in demand for container terminal and container leasing services during 2009. According to Drewry Shipping Consultants Limited (Drewry), world container port traffic is estimated to have fallen 11.6% in 2009, the first decline on record. Ports in mainland China fared better than the world average, but even so, saw throughput fall 6.0% in 2009.

This environment made market conditions very difficult for our businesses, with lower volumes and reduction in utilisation rates almost across the board. Despite this, the Group managed to make headway in many areas, gained market share and recorded a profit for the year. Profit attributable to the equity holders of the Company for the year was US$172,526,000 (2008: US$274,725,000), albeit a 37.2% reduction compared to a year ago.

COSCO Pacific has managed to navigate through these toughest of economic times. One of our competitive strengths lies in COSCO, China COSCO and our affiliated companies, which have provided strong support to COSCO Pacific. It is on this solid foundation that we have established our global container terminal and leasing networks, which rank respectively the fifth and second largest in the world, and provide comprehensive services to customers.

China remains the key player in world economic development. With 90.0% (2008: 89.7%) of our container throughput generated in China, this makes us well positioned to take advantage of China's continuing economic growth and hence achieve higher growth in our terminal business.

Furthermore, the asset light business model of our leasing business, together with the fact that 93.2% (2008: 92.2%) of leasing revenue is long-term, stood the Group in good stead in 2009. Although our average utilisation rate dropped to 90.6% (2008: 94.6%), this was still 4.6 percentage points higher than the industry average of 86.0% (2008: 94.0%).

Emphasising shareholder returns

The Board has proposed a final cash dividend of HK9.3 cents per share for the fiscal year 2009. Together with the interim dividend of HK14.4 cents per share paid on 22nd September 2009, the full-year cash dividend for 2009 will be HK23.7 cents per share, down by 37.8% from the previous year's HK38.1 cents per share. This represents a 40.0% payout ratio for 2009 (2008: 40.0%).

Since becoming a constituent stock of the Hang Seng Index in 2003, COSCO Pacific had been maintaining a dividend payout ratio of approximately 56.6% until 2007. In recognition of its track record on dividends, the Company became a constituent stock of the Dow Jones Global Select Dividend Index, Dow Jones EPAC Select Dividend Index, and Dow Jones Asia/Pacific Select Dividend 30 Index in November 2008.

In order to preserve cash at a time of uncertainty and for future investment, the Company has reduced the dividend payout to 40.0% since 2008. We will monitor the availability and cost of capital closely, as well as our internal cash flow and capital expenditure requirement, and will consider revising upwards the payout ratio when the market recovers.

Focusing on terminals as the key earnings growth driver

During 2009, we achieved notable progress towards our long term goals. Expansion of the global terminal network saw a major milestone passed in October with the commencement of the concession to operate and develop Piers 2 and 3 of the Piraeus Port in Greece.

The rights under the concession run for 30 years, and are extendable for a further five years. Piraeus Terminal thus became our fourth overseas operation, alongside COSCO-PSA Terminal in Singapore, Antwerp Terminal in Belgium and Suez Canal Terminal in Egypt. It is our first 100% owned terminal operation and hence meets the goal of increasing equity participation and management control in our terminal portfolio.

In the course of the year, we also put in place a number of transactions designed to focus our resources on the terminal division and streamline the Group's shareholdings.

- The largest of these was the disposal of the Group's entire 49% interest in COSCO Logistics to China COSCO, for a cash consideration of RMB2,000,000,000 (equivalent to approximately US$292,900,000). Apart from the aforesaid cash consideration, the Group was entitled to receive a special distribution of an additional cash amount under the agreement signed in August 2009, which was completed in March 2010.

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- In June 2009, the Group signed an agreement for the disposal of its 8.13% stake in Dalian Port Container Co., Ltd. to the Dalian Port (PDA) Company Limited for a total consideration of RMB140,605,000 (equivalent to approximately US$20,581,000). The transaction was completed in January 2010.
- During the first half of 2009, the Group disposed of its 20% stake in Shanghai CIMC Reefer to CIMC for a total consideration of US$16,400,000. This transaction has simplified the shareholding structure of our container manufacturing business.

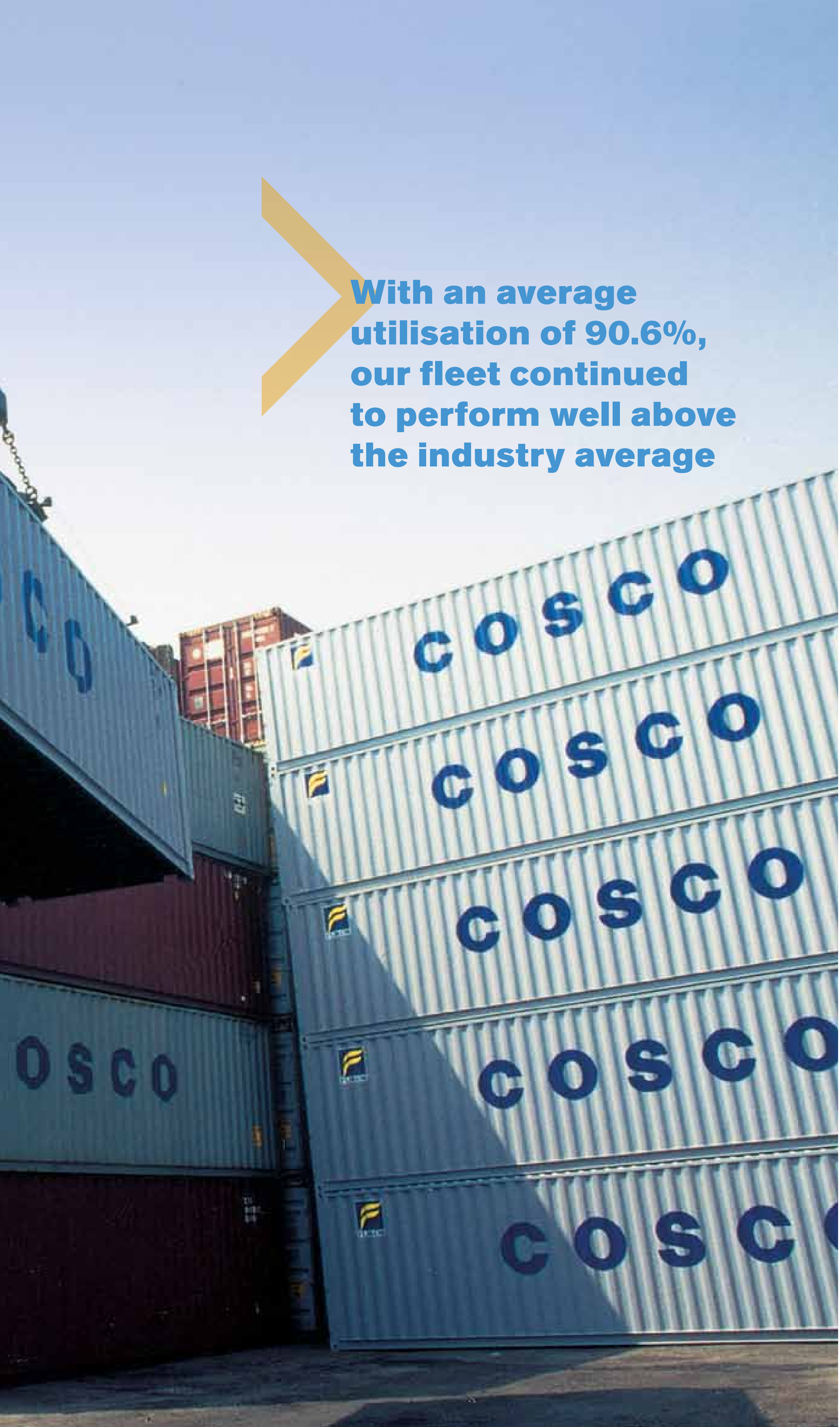
Leading market player

Our vision has been to transform our business model by becoming a leading global terminal operator and by focusing on terminals as the principal earnings driver. We aim to maintain our leading position in the container leasing industry by converting it into an asset light business.

A good corporate citizen

COSCO Pacific believes that good corporate governance practices are vital to protecting the long term interests not only of shareholders but also of the Company itself. To this end, we strive continually to strengthen the function of our Board and improve the Company's corporate governance structure. This commitment has been especially important since the onset of the financial crisis, and the attendant decline in trust among financial institutions, investors and corporations.

In this context, COSCO Pacific's reputation for stringent compliance with the rules governing its listing has been invaluable. We maintain high standards of transparency and accuracy in relation to the Company's financial performance and, over and above the regulatory requirements, release results on quarterly basis, bringing us in line with the practices of the world's most demanding listing jurisdictions. The latest data on terminal throughput is published on the corporate website each month, as a further aid to stakeholders' understanding of business developments through the course of the year.



With an average utilisation of 90.6%, our fleet continued to perform well above the industry average

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During the year, the Company again received wide recognition from the media and investors for its efforts in the Corporate Governance, including a Corporate Governance Asia Recognition award given by Corporate Governance Asia magazine and a Titanium Award for Corporate Governance and Investor Relations in The Asset Triple A Corporate Awards by the Asset magazine. In addition, the Group won several awards for its overall management, including being named one of Hong Kong's outstanding enterprises by the Economic Digest magazine, and as home to the Shipping In-House Team of the Year by Asian Legal Business magazine.

Outlook

On the back of accommodative monetary policy, the world economy has shown encouraging signs that it is turning the corner and is set to grow in 2010. The IMF is forecasting growth of 2.1% for the advanced economies and 6.0% for the emerging and developing economies.

China is expected to maintain its high rate of growth in 2010. Indeed, China's main concern is to regulate growth in order to prevent too rapid an expansion. Trade with China is picking up, with Chinese exports and imports rising 31.4% and 63.6% respectively in the first two months of 2010. This improving trend is expected to carry through into the rest of the year.

This current picture bodes well for all of our businesses, which have experienced an upturn since the fourth quarter of 2009, and which will benefit from the capacity added in recent months, as well as new berths coming into operation in 2010. Increases in profitability will, however, be constrained in the short term by the fact that much new capacity is still in a ramp up phase, with the rewards to be harvested in 2011 and beyond.

Although it has been a difficult year, our operations are on a strong footing operationally and financially. We have continued to build the global terminal network and increased the market share of our container leasing business. Our resilient business model has not only enabled us to weather the storm of the economic crisis, but has left us strongly positioned to make the most of the turnaround in global trade.

We believe that as economies and world trade continue their recovery, COSCO Pacific will be able to make further progress and enhance returns to shareholders.

Finally, on behalf of the Board of Directors, I would like to take this opportunity to thank all our shareholders, investors and business partners for their support. As ever, the support of our parent company, COSCO, China COSCO, our affiliated companies and international customers, has been invaluable. My deep gratitude goes to our staff for their dedication and their valuable contributions during this very difficult year.

CHEN Hongsheng
Chairman
30th March 2010