



Moving forward with purpose
to maximise our enterprise value

I am delighted to report that COSCO Pacific delivered satisfactory results in 2010. Driven by strong recovery of domestic and international trades in China, we witnessed strong profit growth in our terminal, container leasing and container manufacturing businesses. Profits attributable to equity holders of the Company rose significantly by 109.4% to US\$361,307,000 (2009:US\$172,526,000). Excluding the non-recurring items¹, profit attributable to equity holders of the Company in 2010 rose to US\$269,577,000, a year-on-year increase of 92.7% (2009:US\$139,890,000).

The global economy gradually recovered from the financial crisis and registered a 5.0% GDP growth in 2010. The overall growth rate was higher than expected but there are some uncertainties. The global economy is recovering at two different speeds with emerging economies achieving higher and faster growth than major developed economies. High inflation in emerging markets, sovereign debt problems in the Eurozone area and political instability in the Middle East region may impact the global economic recovery and also hinder the business growth of the global container transportation industry. However, we remain confident about future business development as we see opportunities and challenges arising from the solid growth of both the global and Chinese economy in 2011.

In recent years, we have continued to optimise our business model with a major focus on accelerating terminal business development while sustaining solid growth in the container leasing division. 2010 was a fruitful year for this as we have strengthened the profitability and enhanced the enterprise value of COSCO Pacific. We will continue to strive to maximise enterprise value. Furthermore, our duty is to build sustainable value for shareholders and to protect the interests of our stakeholders. Our efforts to be a good corporate citizen have focused on implementing policies to protect the social environment and maintaining high levels of transparency and corporate governance.

Note

¹ Non-recurring items include profit on disposal of COSCO Logistics of US\$84,710,000 in 2010; profit on disposal of Dalian Port Container of US\$7,020,000 in 2010; share of profit of COSCO Logistics of US\$25,627,000 in 2009; dividend income from Dalian Port Container of US\$1,493,000 in 2009 and profit on disposal of Shanghai CIMC Reefer of US\$5,516,000 in 2009.

In 2010, earnings per share were US14.17 cents, an increase of 85.0% over US7.66 cents in 2009. The Board of Directors has recommended the distribution of final cash dividends at HK19.3 cents per share (approximately US2.483 cents). In addition to the interim cash dividends distributed on 20th September, 2010 at HK13.7 cents per share (approximately US1.759 cents), as well as special interim dividends distributed at HK11.1 cents per share (approximately US1.426 cents) for the disposal of 49% equity interest in COSCO Logistics, full year dividends amount to HK44.1 cents per share (approximately US5.668 cents), an increase of 86.1% over that of HK23.7 cents (approximately US3.061 cents) in 2009.

After extensive consideration, the Board has proposed the annual dividend payout ratio at 40.0% in 2010 (2009: 40.0%). By closely monitoring the latest situation of the global economy and capital market, the Board will consider the adjustment of dividend payout ratio if appropriate after considering the company's financial position and capital needs for future development.

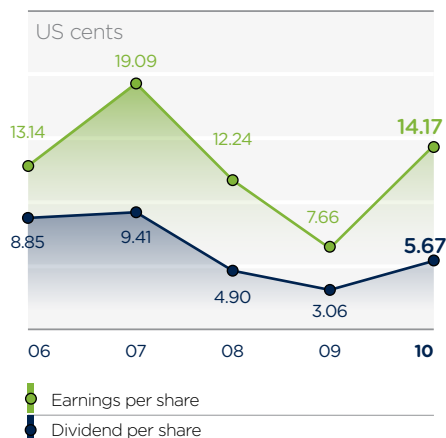
In 2010, we saw the accelerated growth of COSCO Pacific's businesses, and I had the honour of being appointed by the Board of Directors as chairman in October, taking on this role with the understanding of my responsibility and the challenges ahead. I would like to express my gratitude to my predecessor, ex-chairman

Mr. Chen Hongsheng, for his wholehearted efforts in supporting the business transformation and development of COSCO Pacific. Furthermore, Mr. Chen also provided full support in enhancing the corporate governance, which built a solid foundation for the sustainable development of COSCO Pacific.

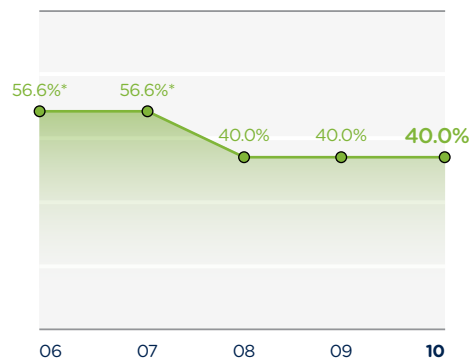
Due to the changes in director's work designation, Mr. Li Jianhong and Ms. Sun Yueying resigned as executive directors, and I would like to express my gratitude for their support of the Company over the years. Mr. Wang Zenghua and Mr. Feng Jinhua were appointed in their places. In addition, Mr. Wang Haimin and Mr. Gao Ping were appointed as non-executive directors. I would like to welcome them all to the Board.

I am sincerely grateful to ex-chairman, Mr. Chen Hongsheng, as well as to each of the former directors, for the great contributions they made to the development of COSCO Pacific. While looking back on the development of the past five years, I hope we will be able to carry forward the cause together with the dedicated efforts of our staff and forge ahead into the future. With the strong support from COSCO Group and China COSCO, and from the affiliated companies, I am confident that COSCO Pacific will continue to achieve outstanding performance in future.

Earnings and dividend per share



Dividend payout ratio



* The financial effect of put options associated with the CIMC share reform was excluded in the calculation of dividend payout ratio of year 2006 and 2007.

Optimising the business model and enhancing enterprise value

COSCO Pacific has continuously benefited from the strong growth of the Chinese economy for years. During the period of the 11th Five-Year Plan (2006-2010), China's GDP achieved an average annual growth rate of 11.2%, turning into the powerhouse of global economic growth. During this period, COSCO Pacific navigated its way through an important stage of its business development, and has now become the fifth largest container terminal operator and third largest container leasing company in the world.

Over the past five years, COSCO Pacific had improved its business model and accelerated its terminal business growth.

Improved business model

We transformed our container leasing business to an asset light model in 2006, via the sales and managed back of 600,082 TEUs of marine containers. This sales and managed back transaction improved the capital structure and financial flexibility of our container leasing business. The proceeds of sales were used to purchase new containers and further expand our market share in the industry.

We disposed of non-core assets so as to focus our resources on developing our core businesses. In 2007, we sold our 20% shareholdings in Chong Hing Bank. In 2010, we disposed in our 49% of shareholdings in COSCO Logistics and our 8.13% minority stakes of

terminal investment in Dalian Port Container. The aggregate proceeds from the above four transactions amounted to US\$1,433,382,000 in cash, which provided additional funds for developing our terminal and container leasing businesses.

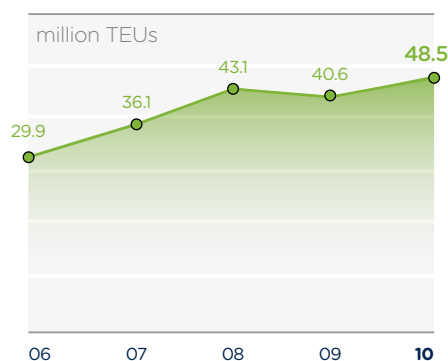
Accelerating terminal business growth

In order to build a stronger and larger terminal platform on which to develop terminal business as our key earnings growth driver, COSCO Pacific has implemented the following four transformation strategies since 2007. These strategies help to improve the terminal business portfolio in terms of profitability, size of network and sources of income.

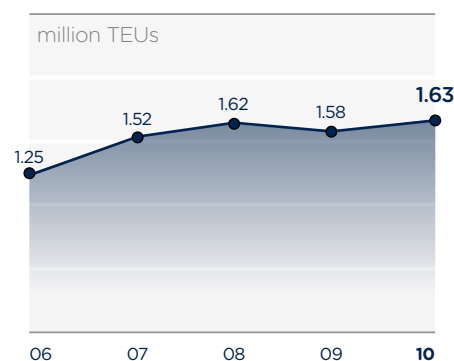
Our four transformation strategies:

- From investing in minority stakes to investing in controlling stakes;
- From sole focus on the Chinese market to a global player with primary focus on China;
- From investing in container berths to diversifying terminal investments in other types of berths;
- From placing the emphasis on profits to maximising enterprise value.

Container throughput¹



Container fleet capacity



Note

¹ The Group completed a transaction for disposal of its 8.13% stake in Dalian Port Container in January 2010, and this datum is not incorporated into the terminal company's throughput.

COSCO Pacific fully took over the operation at Pier 2 of the Port of Piraeus in 2010. This is our first wholly-owned terminal subsidiary and a significant development in our terminal business. Meanwhile, we further strengthened the profitability of our terminal portfolio by increasing our equity stake in Yantian terminal. These two major achievements further consolidated our leading position as a global terminal operator and also enhanced our enterprise value.

Enhancing enterprise value

COSCO Pacific achieved an outstanding share price performance with a 36.4% increase in 2010 outperforming the Hang Seng Index of 5.3% increase. We were also one of the best performing stocks among the constituent stocks of Hang Seng Chinese Affiliated Corporations Index. At 31st December 2010, our price-to-book ratio rose to 1.4 times (31st December 2009: 1.0 times) and our market capitalisation reached US\$4,723,523,000, up by 63.0% year-on-year.

At 31st December		2006	2007	2008	2009	2010
Closing price	HK\$	18.26	20.80	7.91	9.93	13.54
Net asset value per share	HK\$	7.73	9.64	9.14	9.80	10.03
Price-to-book ratio	times	2.4	2.2	0.9	1.0	1.4
Market capitalisation	million US\$	5,234	5,988	2,291	2,897	4,724

Acting as a good corporate citizen and delivering sustainable shareholder returns

Corporate governance can be described as the way a company manages itself in order to generate fair and equitable returns to its stakeholders. It also refers to rules and incentives by which shareholders control and influence a company's management so as to maximise the profits and value of a corporation. Therefore, maintaining a high standard of corporate governance is crucial to improve both the quality of management and the value of the Company.

We believe that a successful and well-respected company should commit to maintaining a high level of social responsibility, and this duty is an integral part of management's role. Our commitment to social responsibility is seen via our strict manufacturing requirements and the quality of container being leased to customers; the container boxes have to be built in accordance with the international ISO approved standard. Our commitment is also reflected in the safety processes and the environmental regulations of our container terminal operations.

COSCO Pacific's efforts in the fields of corporate governance and investor relations have been widely recognised externally. In 2010, the Company's high level of corporate transparency and good corporate governance earned market recognition. During the year, the Company won the Corporate Governance Asia Recognition Award given from Corporate Governance Asia magazine for the fourth consecutive year and was recognised as the Hong Kong outstanding enterprise by Economist Digest magazine for the sixth consecutive year. The Company also won The Asset Corporate Governance Gold Award for Investor Relations from The Asset magazine. Meanwhile, our 2009 Annual Report of the Company earned a citation for corporate governance disclosure by the Hong Kong Management Association. The Company was also awarded Foreign Company In-House Team of the Year by Asian Legal Business, a well recognised professional magazine.

Seizing opportunities to achieve well-balanced growth



The global economy continues to be affected by short-term issues including inflation in emerging markets, difficulties of sovereign debt in the European region and political tension in the Middle East, which will put certain pressure on the global container transportation sector. However, the Group believes that there are opportunities as well as challenges in 2011.

According to the forecast of the International Monetary Fund (IMF) in January 2011, the global economy is expected to grow by 4.4% in 2011. Therefore the global trade and container transportation sector will be able to sustain its growth momentum and provide a favourable environment for the development of the Group's terminal, container leasing and container manufacturing businesses.

2011 marks the start of China's 12th Five-Year Plan. With the general aim of "transformation of economic development pattern and expansion of domestic demand", the economy of China will be driven along a path of steady and healthy growth. Referring to China's 2011 action plan, Premier Wen Jiabao expressed that China's GDP is expected to grow by about 8% in 2011. In January 2011, the IMF projected an even more optimistic forecast of 9.6% for China.

Domestic demand expansion is a key focus of the 12th Five-Year Plan. With a population of approximately 1.3 billion, the consumer market of China has an enormous potential, which sees international enterprises accelerate their investment plans in China. More goods will be transported to the China market via the supply chain system. Port industry plays an important role in China economic growth and is located at a unique position along the supply chain.

Meanwhile, in tandem with the growing market demand, China is planning to establish a highly efficient transportation system, strengthen the construction of national highways, and systematically improve the infrastructure of ports and airports, all of which will facilitate the healthy development of logistics, shipping and port industries of the country.

Referring to the forecast of Clarkson PLC in February 2011, China ports are expected to achieve an overall container throughput growth of about 13% in 2011. At the beginning of 2011 major terminals in China have started to raise tariffs,

which will in turn benefit the operation of the terminal industry.

However, the Group still faces increasing operational costs due to rising inflation and this will create pressure on the profitability of the Group's terminal business. Hence, the Group will continue to tighten its costs and will pay particular attention to those terminals that are making a loss or will incur start-up losses due to commencement of operation in 2011. Looking forward, while expanding our existing terminal operation, COSCO Pacific will continue to actively look for investment opportunities in terminals for the year of 2011.

As container shipping lines will expand their fleet capacity in the next three years, it will create container demand and benefit the growth of the Group's container leasing and container manufacturing businesses. Given the strong expectation of the container demand, the Group will expand its container leasing business during 2011.

The Group will continue to aim at maximising enterprise value. Through implementing corporate citizen, the Group will further enhance its standard of corporate governance and maintain a high level of corporate transparency, and put emphasis on environmental protection, safeguarding the interest of stakeholders, and creating value for the shareholders.

Finally, on behalf of the Board of Directors, I would like to extend my sincere gratitude to the shareholders for their unfailing support of COSCO Pacific Limited and to all the staff for their usual dedication. In the coming year, we will continue to seize development opportunities and optimise the terminal business structure. We will further strengthen efficiency. This is all with a view to enhancing the enterprise core competency and profitability and to realising COSCO Pacific's sustainable and balanced development in the long term.

XU Lirong
Chairman

23rd March, 2011