On course to deliver a strengthened business model

In 2010, the global economic recovery provided impetus for the rebound of shipping and container related industries. By seizing these growth opportunities, COSCO Pacific achieved satisfactory results in 2010 with strong profit growth in terminals, container leasing and container manufacturing businesses.

Meanwhile, we continued to optimise our business model to accelerate terminal business development and to sustain solid growth in the container leasing division. As a result we enhanced the enterprise value of COSCO Pacific in 2010. We also increased the Group's revenue, implemented effective cost control and improved capital structure. Taking these measures, we expanded our business portfolio, which further consolidated our leading position in the industry, and strengthened its profitability to enhance shareholder returns and to maximise enterprise value.

Results highlights

		2010	2009	y-o-y change
Revenue	Million US$	**446.5**	349.4	+27.8%
Profit attributable to equity holders	Million US$	**361.3**	172.5	+109.4%
Profit attributable to equity holders excluding non-recurring items[1]	Million US$	**269.6**	139.9	+92.7%
Earnings per share	US cents	**14.17**	7.66	+85.0%
Dividends per share	HK cents	**44.1**	23.7	+86.1%
	US cents	**5.668**	3.061	+85.2%
Dividend payout ratio		**40%**	40%	-

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.*

Strengthening terminal portfolio & solid container leasing performance

In 2010, COSCO Pacific optimised its business model by the disposal of its 49% equity interest of non-core business, COSCO Logistics, and the disposal of a 8.13% minority interest in Dalian Port Container. The proceeds from these transactions amounted to US$321,000,000 in cash which helped the Group to focus its resources and develop its terminal and container leasing businesses.

Business model with primary focus on terminals

COSCO Pacific dedicated its efforts to grow its terminal business which achieved satisfactory performance in 2010. Total container throughput reached 48,523,870 TEUs, representing a 19.4% year-on-year growth over 2009. During the year, throughput of break-bulk cargo and automobiles increased significantly by 39.1% to 23,606,588 tons andby 143.2% to 121,887 vehicles respectively. We focused on growing our business in major terminals, among which Guangzhou South China Oceangate achieved a good business performance with throughput growing by 41.8% to 3,060,591 TEUs in 2010.

Furthermore, Qingdao Qianwan United Terminal and Tianjin Euroasia Terminal formally commenced their operation of eight berths which increased our operating terminal capacity in China. It is encouraging that the utilisations of these new berths have been increasing and driving growth of the Group's container throughput. We also further enhanced the civil works and the construction of the port area in Xiamen Ocean Gate Terminal. Purchase of terminal equipment is underway while a marketing plan is being implemented to provide a solid foundation for the commencement of terminal operation in the second half of 2011.

Terminal business

		2010	2009	y-o-y change
Operating berths	No. of berths	**107**	106	+1
Annual handling capacity of operating container berths	Million TEUs	**55.5**	52.1	+6.6%
Total container throughput	Million TEUs	**48.5**	40.6	+19.4%
China market share[1]	%	**28.7**	28.8	-0.1pp

Note

1 The annual container throughput of ports in China reached 145 million TEUs, a year-on-year increase of about 18.8%.

Expanding container fleet capacity

Strong container demand provided great opportunity for us to expand our container fleet capacity and to increase the Group's revenue. During the year, we purchased 111,625 TEUs of new containers and leased it to our customers. At 31st December 2010, our owned and managed container fleet capacity was expanded by 3.1% to 1,631,783 TEUs, ranking us as the third largest container leasing company in the world with a global market share of approximately 13.0%. Utilisation rate reached 97.3%, the highest level forthe past ten years. The result is enhanced profitability of our container leasing division.

Container leasing, management and sale businesses

	2010	2009	y-o-y change
	Million TEUs	Million TEUs	%
Container fleet capacity	**1.63**	1.58	+3.1
	%	%	pp
Global market share[1]	**13.0**	14.3	-1.3
Utilisation rate	**97.3**	90.6	+6.7

Note

1 Source: Alphaliner 2011

Significant revenue and profit growth

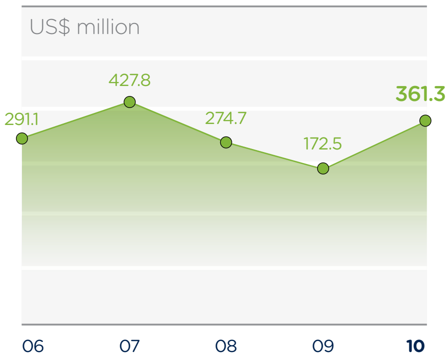
Revenue increased by 27.8% to US$446,492,000

For the past few years, COSCO Pacific has increased its terminal subsidiaries to six in order to enlarge its sources of income. In 2010, the Group's revenue rose by 27.8% year-on-year to US$446,492,000. This satisfactory revenue growth was mainly attributed to Piraeus Terminal in Greece, which provided its first full year revenue contribution to the Group. It boosted our terminal divisional revenue up by 63.5% to US$195,594,000 in 2010. In addition, driven by the increase in container leasing volume and the disposal of returned containers, our container leasing, management and sale businesses also expanded its revenue by 9.2% to US$250,898,000 in 2010.

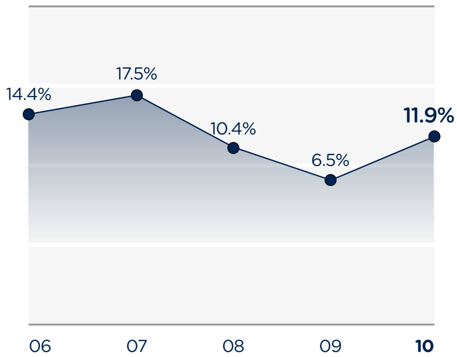
Profit attributable to the equity holders increased by 109.4% to US$361,307,000

Strong profit growth of the following three businesses enabled COSCO Pacific to sustain a satisfactory net profit growth by 109.4% to US$361,307,000 in 2010. During the year, profit contribution from terminal business rose by 43.5% to US$119,882,000 while container leasing, management, and sale businesses contributed a 35.0% growth to US$96,366,000. Profit contribution from the container manufacturing business increased by 197.5% to US$91,871,000. The above profit growth helped to increase our return on equity holders to 11.9% in 2010, up by 5.4 percentage points over 2009.

Profit attributable to equity holders



Return on equity holders



Prudent financial policy

To maintain sustainable business growth, we invested in our core business with major capital expenditure averaging US$790,654,000 per annum for the past five years. The amount for terminal division accounted for 48.1% of our total capital expenditure, while purchase of new containers accounted for 43.7% of it. To cope with our funding need, we have a prudent financial policy to maintain a healthy financial position in order to provide flexibility for future business growth. Bank loans and internal cash were major sources of funds for our capital expenditure.

Navigating through the financial crisis in 2008, COSCO Pacific seized the growth opportunity arising from the global economic recovery and reactivated its investment plan in 2010. During the year, the Group increased approximately 10% equity interest in Yantian terminal with a total consideration of US$520,000,000. This acquisition boosted our terminal capital expenditure to US$721,051,000, a substantial increase of 92.8% since 2009. Meanwhile, purchase of new containers amounted to US$250,364,000, up by 304.7% over 2009. As a result, total major capital expenditure reached US$977,085,000 (2009: US$465,516,000) in 2010.

In 2010, we raised approximately US$584,000,000 through a placement in May. Use of proceeds is mainly for terminal investment. This placement provided funding for our acquisition of additional interest in Yantian terminal while maintaining our solid financial position. As of 31st December 2010, net debt-to-equity ratio dropped 12.3 percentage points to 29.6% year-on-year, while cash on hand increased by 29.2% year-on-year to US$524,274,000.

US$ million	2006	2007	2008	2009	**2010**	Annual average
Terminal capital expenditure	275	249	281	374	**721**	380
New container purchase	481	586	348	62	**250**	346
Others	5	21	264	30	**6**	65
Total	**761**	**856**	**893**	**466**	**977**	**791**

Balanced growth

Optimising the terminal portfolio

COSCO Pacific will continue to optimise its business structure and strengthen its business model in 2011. We will pay particular attention to the progress of terminal transformation for operations located at some older port areas.

Disposal of 50% interest in Qingdao Cosport Terminal

Located in the old port area of Qingdao port, Qingdao Cosport Terminal was affected by the limitation on terminal facilities, and hence saw a continuous decline in containers handled over the past few years. The terminal can no longer cope with the rapid growth of Qingdao port as the vessels for international and domestic trade increase in size and capacity. Both of the international and domestic containers of Qingdao Cosport have been transferred to Qingdao Qianwan port area. Therefore we have decided to dispose of all interest in Qingdao Cosport Terminal.

On 10th March 2011, the Group entered into an agreement with Qingdao Port Group pursuant to which, the Group agreed to dispose of its 50% equity interest in Qingdao Cosport Terminal to Qingdao Port Group at a consideration of RMB184,000,000 (equivalent to approximately US$28,000,000). It is expected that the transaction will be completed in the second quarter of 2011.

Transformation of Shanghai Terminal

Shanghai Terminal is a joint venture company established by Shanghai International Port (Group) Co., Ltd. ("SIPG") and Hutchison Ports Shanghai Limited ("Hutchsion Ports Shanghai"), a company in which the Group holds minority interests. In order to cope with requirements of planning and development requirement in the Shanghai urban area, Shanghai Terminal started to change its business model and the use of its land, and stopped handling containers from January 2011.

The transformation of Shanghai Terminal has minimal impact on the Group's profit. The Group holds 10% effective equity interest in Shanghai Terminal. In 2010, profit contribution from Shanghai Terminal to COSCO Pacific represented only 0.5% of the total profit attributable to equity holders of the Company. Hutchsion Ports Shanghai leads the discussion and planning with SIPG in relation to the change of business model of Shanghai Terminal.

Strengthening core competence and profitability

Rising inflation escalates operating costs. We will attach great importance to the cost control of our major terminals. We will also make efforts to further enhance terminal operating efficiency, to strengthen marketing workforce so as to increase business volume and sales. It will help to narrow the losses or generate profit as quickly as possible for several existing loss-making terminal operations including Piraeus Terminal, Guangzhou South China Oceangate Terminal and Tianjin Euroasia Terminal. It will also help to minimise the start up loss from Xiamen Ocean Gate Terminal. We believe that the improving performance of above terminals will strengthen our core competence and profitability.

Sustainable and balanced growth

According to Drewry Shipping Consultants Limited (Drewry) research report, terminal operators postponed their terminal investment plans after the financial crisis in 2008. The overall utilisation of global container ports rose to 66% in 2010 from 63% in 2009. It is expected that it will further increase to 69% in 2011 and hopefully reach the pre-crisis level by 2012. By 2015, global container terminal utilisation will reach 80% providing favourable conditions for terminal business development.

Million TEUs	2009	**2010**	2011	2012	2015	Annual Growth Rate
Global						
Utilisation	62.9%	**65.7%**	68.7%	71.2%	80.3%	-
Throughput	473	**513**	551	589	718	7.2%
Capacity	752	**782**	803	828	895	2.9%
Far East						
Utilisation	66.0%	**70.2%**	74.3%	78.2%	94.6%	-
Throughput	178	**197**	215	234	300	9.0%
Capacity	270	**281**	290	299	317	2.7%

Note

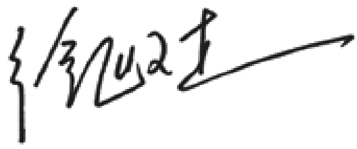
Drewry's prediction of the future capacity is based on confirmed expansion plans only. Countries in the Far East include China, Japan, South Korea and some Russian areas in the vicinity of Japan.

China is part of the Far East region in which the utilisation will be close to 95% by 2015. It is estimated that the overall utilisation of top 10 China ports, will rise to 79% in 2011 from 73% in 2010. Demand and supply will become more balanced.

For the next five years, China will boost domestic demand and improve the living standard of Chinese people. This will create opportunities for the global economic growth and provide a larger growth platform for port and terminal operators. We will seize this great opportunity to further strengthen our terminal portfolio and to enhance its profitability.

The core competence of the container leasing business is its capability to provide steady cash flow for COSCO Pacific. We will continue to develop this business through the asset light model with an optimal fleet mix between managed and owned containers. It is important to strike a balance between the benefits of high growth and the risk factors of over investment.

Finally, I would like to express my gratitude to all the shareholders, board, partners, investors, financial institutions and the media, as well as our staff, for all the trust which you have placed in my leadership and our management for over four years. With the strong support of our parent company, affiliated companies and staff, I strongly believe that we will achieve a long-term sustainable and balanced growth in the future.



XU Minjie

Vice Chairman and Managing Director

23rd March 2011