COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

2010 FINAL RESULTS ANNOUNCEMENT

RESULTS HIGHLIGHTS

- The Group's revenue rose by 27.8% to US$446,492,000 (2009: US$349,424,000). The first full-year contribution of revenue from Piraeus Container Terminal S.A. ("Piraeus Terminal"), a wholly owned subsidiary of the Company, led the terminal divisional revenue to achieve a strong growth by 63.5% to US$195,594,000. The revenue from container leasing, management and sale businesses increased by 9.2% to US$250,898,000

- Gross profit rose by 11.7% to US$166,724,000 (2009: US$149,250,000). Piraeus Terminal, undergoing its ramp-up period, and having incurred high operating cost in the first half of 2010, affected the gross profit of the Group

- Profit attributable to equity holders rose significantly by 109.4% to US$361,307,000 (2009: US$172,526,000). Excluding the non-recurring items [Note 1], profit attributable to equity holders of the Company increased by 92.7% to US$269,577,000 (2009: US$139,890,000)

- Proposed final cash dividend of US2.483 cents (2009: US1.199 cents). Full-year dividend to be US5.668 cents (2009: US3.061 cents) with payout ratio of 40.0% (2009: 40.0%)

- Ranked as the fifth largest container terminal operator in the world, the Group's container throughput rose by 19.4% to 48,523,870 TEUs. During the year, the Group acquired approximately 10% additional equity interest in Yantian terminal, which accelerated the Group's equity throughput [Note 2] by 29.3% to 12,236,920 TEUs, and the profit from the terminal business grew by 43.5% to US$119,882,000

- Ranked as the third largest container leasing company in the world, the Group's container fleet size increased year-on-year by 3.1% to 1,631,783 TEUs. During the year, strong container demand facilitated the rise in utilisation rate of the container fleet significantly by 6.7 percentage points to 97.3%. Profit from the container leasing, management and sale businesses increased by 35.0% to US$96,366,000

Note 1: Non-recurring items include profit on disposal of COSCO Logistics Co., Ltd. ("COSCO Logistics") of US$84,710,000 in 2010; profit on disposal of Dalian Port Container Co., Ltd. ("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 Containers Co., Ltd. ("Shanghai CIMC Reefer") of US$5,516,000 in 2009.

Note 2: Equity throughput is calculated according to the shareholding proportion of the Group.

- Profit from the container manufacturing business increased significantly by 197.5% to US$91,871,000

- The Company won the "Corporate Governance Asia Recognition Award" given by 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" given by The Asset magazine. Meanwhile, the 2009 annual report of the Company was recognised by a citation for corporate governance disclosure by Hong Kong Management Association

- The Company was awarded "Foreign Company In-House Team of the Year" by Asian Legal Business, a well recognised professional magazine

FINAL RESULTS

The board of directors (the "Board") of COSCO Pacific Limited (the "Company" or "COSCO Pacific") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December 2010. The following financial information, including comparative figures, has been prepared in accordance with Hong Kong Financial Reporting Standards.

CONSOLIDATED BALANCE SHEET
AS AT 31ST DECEMBER 2010

	Note	**2010** *US$'000*	2009 *US$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**2,127,307**	1,834,079
Investment properties		**4,742**	4,169
Land use rights		**141,736**	148,237
Intangible assets		**7,593**	5,719
Jointly controlled entities		**460,898**	431,132
Loans to jointly controlled entities		**131,342**	160,147
Associates	3	**1,460,370**	730,102
Loans to associates		**28,500**	32,440
Available-for-sale financial assets		**25,000**	320,000
Finance lease receivables		**1,418**	1,051
Deferred income tax assets		**3,477**	1,980
Derivative financial instruments		**19,532**	16,556
Other non-current assets	4	**64,466**	71,511
		4,476,381	3,757,123
Current assets			
Inventories		**13,553**	9,821
Trade and other receivables	5	**214,771**	182,315
Current income tax recoverable		**860**	1,355
Available-for-sale financial assets		**-**	20,581
Restricted bank deposits		**-**	14
Cash and cash equivalents		**524,274**	405,740
		753,458	619,826
Assets held for sale	6	**22,078**	258,363
		775,536	878,189
Total assets		**5,251,917**	4,635,312

CONSOLIDATED BALANCE SHEET (Continued)
AS AT 31ST DECEMBER 2010

	Note	**2010**	2009
		US$'000	*US$'000*
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**34,801**	29,018
Reserves		**3,245,993**	2,686,147
Proposed final dividend		**67,327**	27,128
		3,348,121	2,742,293
Non-controlling interests		**145,741**	116,058
Total equity		**3,493,862**	2,858,351
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**29,814**	19,603
Long term borrowings		**1,389,646**	1,410,671
Other long term liabilities		**2,425**	744
		1,421,885	1,431,018
Current liabilities			
Trade and other payables	7	**162,370**	148,000
Current income tax liabilities		**4,691**	4,329
Current portion of long term borrowings		**136,045**	83,051
Short term bank loans		**33,064**	110,563
		336,170	345,943
Total liabilities		**1,758,055**	1,776,961
Total equity and liabilities		**5,251,917**	4,635,312
Net current assets		**439,366**	532,246
Total assets less current liabilities		**4,915,747**	4,289,369

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2010

	Note	**2010**	2009
		US$'000	*US$'000*
Continuing operations:			
Revenue	2	**446,492**	349,424
Cost of sales		**(279,768)**	(200,174)
Gross profit		**166,724**	149,250
Investment income		**1,612**	22,339
Administrative expenses		**(59,823)**	(62,949)
Other operating income	8	**21,172**	10,009
Other operating expenses		**(16,418)**	(18,731)
Operating profit	9	**113,267**	99,918
Finance income	10	**6,537**	6,005
Finance costs	10	**(29,439)**	(39,805)
Operating profit after finance income and costs		**90,365**	66,118
Share of profits less losses of			
- jointly controlled entities		**74,654**	59,183
- associates		**132,120**	32,890
Profit on disposal of a jointly controlled entity	11	**-**	5,516
Profit before income tax from continuing operations		**297,139**	163,707
Income tax expenses	12	**(15,653)**	(13,286)
Profit for the year from continuing operations		**281,486**	150,421
Discontinued operation:			
Profit on disposal of a jointly controlled entity, net of tax	6(a)	**84,710**	-
Share of profit of a jointly controlled entity		**-**	25,627
Profit for the year from discontinued operation		**84,710**	25,627
Profit for the year		**366,196**	176,048
Profit attributable to:			
Equity holders of the Company		**361,307**	172,526
Non-controlling interests		**4,889**	3,522
		366,196	176,048
Dividends	13	**159,113**	69,162

CONSOLIDATED INCOME STATEMENT (Continued)
FOR THE YEAR ENDED 31ST DECEMBER 2010

	Note	**2010**	2009
Earnings per share for profit attributable to equity holders of the Company			
- basic			
- from continuing operations	14	**US10.85 cents**	US6.52 cents
- from discontinued operation	14	**US3.32 cents**	US1.14 cents
		US14.17 cents	US7.66 cents
- diluted			
- from continuing operations	14	**US10.84 cents**	US6.52 cents
- from discontinued operation	14	**US3.32 cents**	US1.14 cents
		US14.16 cents	US7.66 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2010

	2010	2009
	US$'000	*US$'000*
Profit for the year	**366,196**	176,048
Other comprehensive income		
Exchange differences arising on translation of financial statements of foreign subsidiaries, jointly controlled entities and associates	**45,138**	9,831
Net fair value (loss)/gain on available-for-sale financial assets	**(1,000)**	43,824
Release of investment revaluation reserve upon reclassification of an available-for-sale financial asset to an associate	**(237,023)**	-
Share of reserves upon reclassification of an available-for-sale financial asset to an associate	**48,385**	-
Release of reserves upon disposal of a jointly controlled entity	**(46,364)**	-
Release of reserve upon disposal of available-for-sale financial assets	**(7,020)**	(85)
Fair value adjustment upon transfer from property, plant and equipment to investment properties	**-**	294
Share of reserves of jointly controlled entities and associates		
- exchange reserve	**(3,847)**	4,937
- revaluation reserve	**(8,643)**	6,554
- hedging reserve	**(630)**	(433)
- other reserves	**(93)**	6,644
Other comprehensive income for the year	**(211,097)**	71,566
Total comprehensive income for the year	**155,099**	247,614
Total comprehensive income attributable to:		
Equity holders of the Company	**145,944**	243,935
Non-controlling interests	**9,155**	3,679
	155,099	247,614

NOTES

1. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated financial statements have been prepared under the historical cost convention except that, available-for-sale financial assets, derivative financial instruments and investment properties are carried at fair value and certain buildings are carried at valuation as at 31st December 1994 less accumulated depreciation and impairment losses.

In 2010, the Group has adopted the following revised HKFRS standards, interpretations, amendments or improvements to existing standards (collectively the "new HKFRSs") issued by the HKICPA which are relevant to the Group's operations and mandatory for the financial year ended 31st December 2010:

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 Amendment	Financial Instruments: Recognition and Measurement – Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 Amendment	Additional Exemptions for First-time Adopters
HKFRS 2 Amendment	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners

Improvements to existing standards

HKAS 1 (Revised) 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
HKAS 39 Amendment	Financial Instruments: Recognition and Measurement
HKFRS 2 Amendment	Share-based Payments
HKFRS 5 Amendment	Non-current Assets Held for Sale and Discontinued Operations
HKFRS 8 Amendment	Operating Segments
HK(IFRIC)-Int 9 Amendment	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 16 Amendment	Hedges of a Net Investment in a Foreign Operation

In November 2010, the HKICPA issued HK-Int 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" which is effective immediately and is adopted by the Group for the year ended 31st December 2010.

In addition, the Group has early adopted HKAS 24 (Revised) "Related Party Disclosures" for the year ended 31st December 2010.

1. BASIS OF PREPARATION (Continued)

Except that the adoption of HKAS 24 (Revised), HKAS 27 (Revised), HKFRS 3 (Revised), HKAS 17 Amendment and HK-Int 5 had resulted in changes in accounting policies as described below, the adoption of the other new HKFRSs in the current year did not have any significant effect on the consolidated financial statements or result in any substantial changes in the Group's significant accounting policies.

(i) HKAS 24 (Revised) introduced an exemption from all of the disclosure requirements of HKAS 24 for transactions among government-related entities and the government. Those disclosures are replaced with a requirement to disclose the name of the government and the nature of their relationship, the nature and amount of any individually-significant transactions, and the extent of any collectively-significant transactions qualitatively or quantitatively. It also clarifies and simplifies the definition of a related party.

(ii) HKAS 27 (Revised) required the effects of all transactions with non-controlling interests to be recorded in equity if there was no change in control. These transactions would no longer result in goodwill or gains or losses. When control over a previous subsidiary was lost, any remaining interest in the entity was re-measured to fair value and the resulting gain or loss was recognised in the income statement.

HKFRS 3 (Revised) continued to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business were to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There was a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. When a business combination was achieved in stages, the acquirer should re-measure its previously held interest in the acquiree at its fair value at the date of control is obtained, recognising a gain or loss in the income statement. All acquisition-related costs should be expensed.

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

(iii) HKAS 17 Amendment removed the specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating using the general principles of the standard.

The Group has reassessed the classification of leasehold land and land use rights on the basis of information existing at the inception of those leases, and recognised the leasehold land and land use rights in Hong Kong and outside Hong Kong as finance lease and operating lease respectively. However, the change in the accounting policy in respect of the adoption of HKAS 17 Amendment had been applied prospectively as the effect of the reclassification in prior years was insignificant to the consolidated financial statements.

(iv) HK-Int 5 clarifies that under existing HKAS 1, this requires the liability to be classified as current liability if the borrower does not have the unconditional right at the reporting date to defer settlement for at least twelve months after the balance sheet date.

The change in the accounting policy in respect of the adoption of HK-Int 5 had been applied retrospectively and there was no significant effect on the consolidated financial statements.

1. BASIS OF PREPARATION (Continued)

The HKICPA has issued the following new HKFRSs standards, interpretations, amendments or improvements to existing standards which are not yet effective for the year ended 31st December 2010 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
New standards, interpretations and amendments		
HKAS 12 Amendment	Deferred Tax: Recovery of Underlying Assets	1st January 2012
HKAS 32 Amendment	Classification of Right Issues	1st February 2010
HKFRS 1 Amendment	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters	1st July 2010
HKFRS 1 Amendment	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1st July 2011
HKFRS 7 Amendment	Disclosures – Transfers of Financial Assets	1st July 2011
HKFRS 9	Financial Instruments	1st January 2013
HK(IFRIC)-Int 14 Amendment	Prepayments of a Minimum Funding Requirement	1st January 2011
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments	1st July 2010
Improvements to existing standards		
HKAS 1 (Revised) Amendment	Presentation of Financial Statements	1st January 2011
HKAS 27 (Revised) Amendment	Consolidated and Separate Financial Statements	1st July 2010
HKAS 34 Amendment	Interim Financial Reporting	1st January 2011
HKFRS 1 Amendment	First time Adoption of Hong Kong Financial Reporting Standards	1st January 2011
HKFRS 3 (Revised) Amendment	Business Combinations	1st July 2010
HKFRS 7 Amendment	Financial Instruments: Disclosures	1st January 2011
HK(IFRIC)-Int 13 Amendment	Customer Loyalty Programmes	1st January 2011

The Group will apply the above standards, interpretations, amendments and improvements as and when they become effective. The Group has already commenced an assessment of the related impact to the Group and it is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted.

2. SEGMENT INFORMATION

(a) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The operating segments were determined based on the reports reviewed by management. The following operating segments were identified in accordance with the Group's continuing operations:

(i) terminal and related businesses including terminal operation, container handling, transportation and storage;
(ii) container leasing, management, sale and related businesses; and
(iii) container manufacturing and related businesses.

The performance of the operating segments were assessed based on their segment profit/loss attributable to equity holders of the Company and segment assets, which is measured in a manner consistent with that in the consolidated financial statements.

Additions to non-current assets comprise additions to property, plant and equipment, land use rights, intangible assets and other non-current assets.

Segment assets

	Continuing operations							Discontinued operation
	Terminal and related businesses *US$'000*	**Container leasing, management, sale and related businesses** *US$'000*	**Container manufacturing and related businesses** *US$'000*	**Segment total** *US$'000*	**Corporate** *US$'000*	**Elimination of inter-segment loans** *US$'000*	**Total** *US$'000*	**Logistics and related businesses** *US$'000*
At 31st December 2010								
Segment assets	**2,589,021**	**1,685,327**	**671,831**	**4,946,179**	**595,114**	**(289,376)**	**5,251,917**	**-**
Segment assets include:								
Jointly controlled entities	**460,898**	**-**	**-**	**460,898**	**-**	**-**	**460,898**	**-**
Associates	**788,539**	**-**	**671,831**	**1,460,370**	**-**	**-**	**1,460,370**	**-**
Available-for-sale financial assets	**25,000**	**-**	**-**	**25,000**	**-**	**-**	**25,000**	**-**
Asset held for sale	**22,078**	**-**	**-**	**22,078**	**-**	**-**	**22,078**	**-**
At 31st December 2009								
Segment assets	2,014,962	1,689,028	595,996	4,299,986	335,788	(258,825)	4,376,949	258,363
Segment assets include:								
Jointly controlled entities	431,132	-	-	431,132	-	-	431,132	-
Associates	134,106	-	595,996	730,102	-	-	730,102	-
Available-for-sale financial assets	340,581	-	-	340,581	-	-	340,581	-
Asset held for sale	-	-	-	-	-	-	-	258,363

2. SEGMENT INFORMATION (Continued)

(a) Operating segments (Continued)

Segment revenue, results and other information

	Continuing operations							Discontinued operation
	Terminal and related businesses *US$'000*	**Container leasing, management, sale and related businesses** *US$'000*	**Container manufacturing and related businesses** *US$'000*	**Segment total** *US$'000*	**Corporate** *US$'000*	**Elimination of inter-segment finance (income)/costs** *US$'000*	**Total** *US$'000*	**Logistics and related businesses** *US$'000*
Year ended 31st December 2010								
Revenue - external sales	195,594	250,898	-	446,492	-	-	446,492	-
Segment profit/(loss) attributable to equity holders of the Company	119,882	96,366	91,871	308,119	(31,522)	-	276,597	84,710
Segment profit/(loss) attributable to equity holders of the Company includes:								
Finance income	414	2,108	-	2,522	10,473	(6,458)	6,537	-
Finance costs	(15,317)	(8,149)	-	(23,466)	(12,431)	6,458	(29,439)	-
Share of profits less losses of								
- jointly controlled entities	74,654	-	-	74,654	-	-	74,654	-
- associates	40,249	-	91,871	132,120	-	-	132,120	-
Profit on disposal of a jointly controlled entity	-	-	-	-	-	-	-	84,710
Income tax expenses	(261)	(884)	-	(1,145)	(14,508)	-	(15,653)	-
Depreciation and amortisation	(23,097)	(86,909)	-	(110,006)	(1,815)	-	(111,821)	-
Provision for impairment of property, plant and equipment	(295)	(872)	-	(1,167)	-	-	(1,167)	-
Provision for inventories	-	(1,495)	-	(1,495)	-	-	(1,495)	-
Other non-cash expenses	(54)	(4,064)	-	(4,118)	(331)	-	(4,449)	-
Additions to non-current assets	(150,180)	(251,593)	-	(401,773)	(4,441)	-	(406,214)	-

2. SEGMENT INFORMATION (Continued)

(a) Operating segments (Continued)

Segment revenue, results and other information (Continued)

	Continuing operations							Discontinued operation
	Terminal and related businesses *US$'000*	Container leasing, management, sale and related businesses *US$'000*	Container manufacturing and related businesses *US$'000*	Segment total *US$'000*	Corporate *US$'000*	Elimination of inter-segment (revenue) and finance (income)/costs *US$'000*	Total *US$'000*	Logistics and related businesses *US$'000*
Year ended 31st December 2009								
Revenue - external sales	119,599	229,831	-	349,430	-	(6)	349,424	-
Segment profit/(loss) attributable to equity holders of the Company	83,554	71,375	30,876	185,805	(38,906)	-	146,899	25,627
Segment profit/(loss) attributable to equity holders of the Company includes:								
Finance income	570	3,774	-	4,344	9,719	(8,058)	6,005	-
Finance costs	(14,265)	(14,271)	-	(28,536)	(19,327)	8,058	(39,805)	-
Share of profits less losses of								
- jointly controlled entities	59,183	-	-	59,183	-	-	59,183	25,627
- associates	7,530	-	25,360	32,890	-	-	32,890	-
Profit on disposal of a jointly controlled entity	-	-	5,516	5,516	-	-	5,516	-
Income tax credit/ (expenses)	584	(644)	-	(60)	(13,226)	-	(13,286)	-
Depreciation and amortisation	(18,049)	(79,568)	-	(97,617)	(728)	-	(98,345)	-
Provision for impairment of property, plant and equipment	-	(3,607)	-	(3,607)	-	-	(3,607)	-
Provision for inventories	-	(7,028)	-	(7,028)	-	-	(7,028)	-
Other non-cash expenses	(505)	(4,331)	-	(4,836)	(369)	-	(5,205)	-
Additions to non-current assets	(420,750)	(63,286)	-	(484,036)	(28,038)	-	(512,074)	-

2. SEGMENT INFORMATION (Continued)

(b) Geographical information

In respect of container leasing, management, sale and related businesses, the movements of containers and generator sets of the Group and those managed on behalf of third parties under operating leases or finance leases are known through report from the lessees but the Group is not able to control the movements of containers and generator sets except to the degree that the movements are restricted by the terms of the leases or where safety of the containers and generator sets is concerned. It is therefore impracticable to present geographical information on revenue of these related businesses.

The Group's non-current assets mainly included containers and generator sets. These containers and generator sets are primarily utilised across geographical markets for shipment of cargoes throughout the world. Accordingly, it is also impractical to present the geographical information of these non-current assets.

Other than container leasing, management, sale and related businesses, the activities of the Group are predominantly carried out in the following geographical areas:

Operating segments	**Geographical areas**
Terminal and related businesses	Mainland China, Greece, Hong Kong, Singapore, Belgium and Egypt
Container manufacturing and related businesses	Mainland China

3. ASSOCIATES

On 11th June 2010, the Group completed the acquisition of additional 9.64% equity interest in Sigma Enterprises Limited ("Sigma"), previously an available-for-sale financial asset of the Group, and 5.12% equity interest in Wattrus Limited ("Wattrus"), a shareholder with 79.4% interest in Sigma, and shareholders' loans to Sigma and Wattrus at a total consideration of US$520,000,000. After the acquisition, the Group held 16.49% equity interest in Sigma and 5.12% equity interest in Wattrus, representing an effective equity interest of 20.55% in Sigma which is equivalent to approximately 15% shareholding in Yantian terminal.

4. OTHER NON-CURRENT ASSETS

Other non-current assets of the Group represent prepaid operating lease payments, which included the unamortised upfront concession fee incurred in respect of the concession agreement with Piraeus Port Authority S.A. for the concession of Piers 2 and 3 of the Piraeus Port in Greece for a term of 35 years (the "Concession"). The Concession commenced on 1st October 2009.

5. TRADE AND OTHER RECEIVABLES

	2010 *US$'000*	2009 *US$'000*
Trade receivables		
- third parties	**39,571**	32,179
- fellow subsidiaries	**21,391**	60,056
- jointly controlled entities	**170**	517
- related companies	**483**	340
	61,615	93,092
Less: provision for impairment	**(3,852)**	(4,206)
	57,763	88,886
Other receivables, deposits and prepayments	**67,983**	56,337
Rent receivable collected on behalf of owners of managed containers	**32,743**	35,117
Current portion of finance lease receivables	**534**	931
Amounts due from		
- fellow subsidiaries	**172**	51
- jointly controlled entities	**33,644**	980
- associates	**21,819**	12
- related companies	**-**	1
- a non-controlling shareholders	**113**	-
	214,771	182,315

The Group grants credit periods of 30 to 90 days to its customers. The ageing analysis of the trade receivables (net of provision) was as follows:

	2010 *US$'000*	2009 *US$'000*
Within 30 days	**27,517**	22,262
31 - 60 days	**23,593**	19,595
61 - 90 days	**5,504**	16,755
Over 90 days	**1,149**	30,274
	57,763	88,886

6. ASSETS HELD FOR SALE

	2010	2009
	US$'000	*US$'000*
Asset held for sale under discontinued operation – a jointly controlled entity (Note a)	**-**	258,363
Asset held for sale – a jointly controlled entity (Note b)	**22,078**	-
	22,078	258,363

Notes:

(a) On 27th August 2009, COSCO Pacific Logistics Company Limited ("CP Logistics"), a wholly owned subsidiary of the Company, entered into an equity transfer agreement with China COSCO Holdings Company Limited ("China COSCO"), pursuant to which CP Logistics conditionally agreed to sell and China COSCO conditionally agreed to purchase CP Logistics' 49% equity interest in COSCO Logistics, a jointly controlled entity of the Group, at a cash consideration of RMB2,000,000,000 (equivalent to approximately US$292,900,000). Apart from the aforesaid cash consideration, CP Logistics is entitled to receive a special distribution of an additional cash amount equivalent to 273/365 (representing the first nine months of year 2009) of 49% of 90% of the audited consolidated net profit after tax and non-controlling interest of COSCO Logistics for the year ended 31st December 2009 as shown in the audited consolidated financial statements of COSCO Logistics for the year ended 31st December 2009 prepared in accordance with the accounting standards generally accepted in the People's Republic of China (the "PRC"). In October 2009, the disposal was approved by the independent shareholders of the Company. Accordingly, this investment was reclassified as an asset held for sale under discontinued operation as at 31st December 2009.

The disposal of COSCO Logistics was completed in March 2010, and the profit on disposal was set out as follows:

	US$'000
Profit on disposal (net of direct expenses)	**98,081**
Tax on profit on disposal	**(13,371)**
Profit on disposal (net of direct expenses and tax)	**84,710**

(b) As at 31st December 2010, the Group intended to dispose of its 50% equity interest in Qingdao Cosport International Container Terminals Co., Ltd. ("Qingdao Cosport Terminal"), a jointly controlled entity. Accordingly, this investment was reclassified as an asset held for sale as at 31st December 2010.

On 10th March 2011, the Group entered into an agreement with Qingdao Port (Group) Co., Ltd. ("Qingdao Port Group"), the other shareholder of Qingdao Cosport Terminal, to dispose of the aforesaid equity interest at a consideration of RMB184,000,000 (equivalent to approximately US$28,000,000). It is expected that the disposal will be completed in the second quarter of 2011.

7. TRADE AND OTHER PAYABLES

	2010	2009
	US$'000	*US$'000*
Trade payables		
- third parties	**36,298**	29,421
- fellow subsidiaries	**72**	337
- a jointly controlled entity	**59**	-
- a non-controlling shareholder of a subsidiary	**1,054**	1,855
- subsidiaries of an associate	**2,334**	14,695
- related companies	**-**	2
	39,817	46,310
Other payables and accruals	**75,414**	55,618
Payable to owners of managed containers	**40,730**	38,542
Current portion of other long term liabilities	**812**	2,178
Dividend payable	**36**	35
Amounts due to		
- fellow subsidiaries	**11**	152
- non-controlling shareholders of subsidiaries	**5,521**	5,103
- subsidiaries of an associate	**25**	55
- related companies	**4**	7
	162,370	148,000

The ageing analysis of the trade payables was as follows:

	2010	2009
	US$'000	*US$'000*
Within 30 days	**36,189**	37,388
31 - 60 days	**776**	3,563
61 - 90 days	**138**	1,422
Over 90 days	**2,714**	3,937
	39,817	46,310

8. OTHER OPERATING INCOME

	2010	2009
	US$'000	*US$'000*
Profit on disposal of available-for-sale financial assets	**7,020**	85
Management fee and other service income	**4,116**	4,093
Profit on disposal of property, plant and equipment	**1,969**	545
Write back of provision for impairment of trade receivables	**2,920**	142
Revaluation surplus of investment properties	**573**	555
Exchange gain, net	**-**	563
Container repair insurance income	**-**	345
Others	**4,574**	3,681
	21,172	10,009

9. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2010	2009
	US$'000	*US$'000*
Crediting		
Dividend income from unlisted investments	**1,485**	22,254
Rental income from		
- investment properties	**127**	85
- buildings, leasehold land and land use rights	**731**	246
Profit on disposal of available-for-sale financial assets	**7,020**	85
Profit on disposal of property, plant and equipment	**1,969**	545
Write back of provision for impairment of trade receivables	**2,920**	142
Revaluation surplus of investment properties	**573**	555
Exchange gain, net	**-**	563
Charging		
Amortisation of		
- land use rights	**2,878**	1,956
- intangible assets	**1,048**	926
- other non-current assets (Note 4)	**1,896**	497
Depreciation of		
- owned property, plant and equipment leased out under operating leases	**85,698**	78,277
- other owned property, plant and equipment	**20,301**	16,689
Exchange loss, net	**2,999**	-
Impairment loss of property, plant and equipment	**1,167**	3,607
Cost of inventories sold	**25,347**	19,734
Outgoings in respect of investment properties	**5**	4
Provision for inventories	**1,495**	7,028
Provision for impairment of trade receivables and finance lease receivables	**2,870**	3,933
Rental expense under operating leases of		
- land and buildings leased from third parties	**1,472**	1,512
- buildings leased from fellow subsidiaries	**1,420**	1,423
- land and buildings leased from a jointly controlled entity	**33**	33
- land use rights leased from non-controlling shareholders of subsidiaries	**1,148**	1,942
- plant and machinery leased from third parties	**1,385**	1,355
- containers leased from third parties	**9,823**	11,185
- Concession	**31,008**	6,275
Total staff costs (including directors' emoluments and retirement benefit costs)		
Wages, salaries and other benefits	**98,960**	68,387
Less: amounts capitalised in intangible assets	**(209)**	(520)
	98,751	67,867

10. FINANCE INCOME AND COSTS

	2010	2009
	US$'000	*US$'000*
Finance income		
Interest income on		
- bank balances and deposits	**3,348**	1,058
- loans to jointly controlled entities and associates	**3,189**	4,947
	6,537	6,005
Finance costs		
Interest expenses on		
- bank loans	**(26,441)**	(27,586)
- notes	**(9,227)**	(14,015)
Fair value gain/(loss) on derivative financial instruments	**2,976**	(7,659)
Fair value adjustment of notes attributable to interest rate risk	**(3,878)**	6,566
	(902)	(1,093)
Amortised amount of		
- discount on issue of notes	**(169)**	(180)
- transaction costs on bank loans and notes	**(1,286)**	(1,074)
	(38,025)	(43,948)
Less: amount capitalised in construction in progress	**9,352**	4,479
	(28,673)	(39,469)
Other incidental borrowing costs and charges	**(766)**	(336)
	(29,439)	(39,805)
Net finance costs	**(22,902)**	(33,800)

11. PROFIT ON DISPOSAL OF A JOINTLY CONTROLLED ENTITY

The transaction on disposal of 20% shareholding interest in Shanghai CIMC Reefer, a then jointly controlled entity, at a consideration of US$16,400,000 to China International Marine Containers (Group) Co., Ltd. ("CIMC"), an associate, was completed in January 2009 and resulted in a profit of US$5,516,000.

12. INCOME TAX EXPENSES

	2010 *US$'000*	2009 *US$'000*
Current income tax		
- Hong Kong profits tax	**(86)**	(49)
- China mainland taxation	**(5,282)**	(6,547)
- Overseas taxation	**(1,837)**	(581)
- Over provision in prior years	**148**	-
	(7,057)	(7,177)
Deferred income tax charge	**(8,596)**	(6,109)
	(15,653)	(13,286)

The Group's shares of income tax expenses of jointly controlled entities and associates of US$11,675,000 (2009: US$15,194,000) and US$30,333,000 (2009: US$10,423,000) are included in the Group's shares of profits less losses of jointly controlled entities and associates respectively.

Hong Kong profits tax was provided at a rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

13. DIVIDENDS

	2010 *US$'000*	2009 *US$'000*
Interim dividend paid of US1.759 cents (2009: US1.862 cents) per ordinary share	**47,696**	41,802
Special interim dividend paid of US1.426 cents (2009: Nil) per ordinary share	**38,666**	-
Final dividend proposed of US2.483 cents (2009: US1.199 cents) per ordinary share	**67,327**	27,128
Additional dividends paid on shares issued due to placement of shares and on scrip dividends before the closure of register of members:		
- 2009 final	**5,424**	-
- 2009 interim	**-**	232
	159,113	69,162

Note:

At a meeting held on 23rd March 2011, the directors recommended the payment of a final cash dividend of HK19.3 cents (equivalent to US2.483 cents) per ordinary share. This proposed final cash dividend is not reflected as dividend payable in these consolidated financial statements until it has been approved at the annual general meeting, but will be reflected as an appropriation of retained profits for the year ending 31st December 2011.

14. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2010	2009
Profit from continuing operations attributable to equity holders of the Company	**US$276,597,000**	US$146,899,000
Profit from discontinued operation attributable to equity holders of the Company	**US$84,710,000**	US$25,627,000
	US$361,307,000	US$172,526,000
Weighted average number of ordinary shares in issue	**2,550,377,628**	2,252,933,291
Basic earnings per share		
- from continuing operations	**US10.85 cents**	US6.52 cents
- from discontinued operation	**US3.32 cents**	US1.14 cents
	US14.17 cents	US7.66 cents

(b) Diluted

Diluted earnings per share is calculated based on the profit attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the year, after adjusting for the number of dilutive potential ordinary shares deemed to be issued at no considerations as if all outstanding dilutive share options granted by the Company had been exercised.

	2010	2009
Profit from continuing operations attributable to equity holders of the Company	**US$276,597,000**	US$146,899,000
Profit from discontinued operation attributable to equity holders of the Company	**US$84,710,000**	US$25,627,000
	US$361,307,000	US$172,526,000
Weighted average number of ordinary shares in issue	**2,550,377,628**	2,252,933,291
Adjustments for assumed issuance of shares on exercise of share options	**379,751**	11,370
Weighted average number of ordinary shares for diluted earnings per share	**2,550,757,379**	2,252,944,661
Diluted earnings per share		
- from continuing operations	**US10.84 cents**	US6.52 cents
- from discontinued operation	**US3.32 cents**	US1.14 cents
	US14.16 cents	US7.66 cents

15. EVENT AFTER THE BALANCE SHEET DATE

COSCO Ports (Nansha) Limited ("CP Nansha") was a jointly controlled entity of the Group. By virtue of the clause in an agreement entered into by the Group and the other shareholder of CP Nansha, the joint control of CP Nansha expired on 31st December 2010 and the Group has the power to govern the financial and operating policies of CP Nansha and its subsidiary, Guangzhou South China Oceangate Container Terminal Company Limited ("Guangzhou South China Oceangate Terminal"), from then onwards. Accordingly, the Group has accounted for CP Nansha as a subsidiary since 1st January 2011.

16. CONTINGENT LIABILITIES

A statement of claim was issued on 19th October 2009 by Aronis-Drettas-Karlaftis Consultant Engineers S.A. ("ADK") against the Company and Piraeus Terminal, a wholly owned subsidiary of the Company, in a civil claim at the Court of First Instance of Athens in Greece alleging non-payment of fees for design services and project management services. The plaintiff has claimed approximately Euro 5,800,000 (equivalent to approximately US$7,700,000) in total. The Company and Piraeus Terminal have defended all material claims at the trial hearing held on 30th November 2010.

The Court of First Instance of Athens has issued (pronounced) judgment on the case and has dismissed the aforementioned statement of claim in its entirety both as regards the Company and as regards Piraeus Terminal. According to Greek procedural law, the plaintiff (ADK) has the right to file an appeal against the aforesaid judgment of the Court of First Instance of Athens before the Court of Appeals of Athens. The directors and management of the Company, having taken legal advice, are of the view that the Company and Piraeus Terminal have good defences to all material claims and that the dismissal of the aforementioned statement of claim in its entirety by the Court of First Instance of Athens has further strengthened the Company's position on this case. However, and as long as ADK maintains the right to file an appeal against the judgment of the Court of First Instance in accordance with Greek procedural law, it is still not possible to predict the final outcome of this litigation with certainty. Hence, no provision has been made for the claims.

AUDITOR'S WORK ON THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31st December 2010 have been compared by the Company's auditor, PricewaterhouseCoopers, to the corresponding figures set out in the Group's draft consolidated financial statements for the year ended 31st December 2010 and found to be in agreement. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

FINAL DIVIDEND

The directors recommend the payment of a final cash dividend of HK19.3 cents (2009: HK9.3 cents) per share for the year ended 31st December 2010, subject to approval by shareholders at the Annual General Meeting to be held on Monday, 16th May 2011. The proposed final cash dividend will be payable on or before 31st May 2011 to shareholders whose names appear on the register of members of the Company on 16th May 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 11th May 2011 to Monday, 16th May 2011, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong Registrar and Transfer Office, Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 9th May 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Analysis of Results

Driven by the economic recovery in the PRC and overseas, COSCO Pacific regained momentum in the overall operation of its terminal and container leasing businesses. Profit attributable to equity holders of the Company for the year of 2010 was US$361,307,000 (2009: US$172,526,000), a 109.4% increase compared with last year. Excluding the non-recurring items, profit attributable to equity holders of the Company increased by 92.7% to US$269,577,000 (2009: US$139,890,000). 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, with the gradual recovery of the global economy, container throughput of the terminals also restored its growth. During the year, throughput of the container terminals reached 48,523,870 TEUs (2009: 40,643,042 TEUs), a 19.4% increase compared with last year. In addition, the Group completed the acquisition of approximately 10% additional equity interest in Yantian terminal on 11th June 2010, leading to an increase in the profit of Yantian terminal attributable to COSCO Pacific. Meanwhile, COSCO Pacific completed the disposal of its stake in Dalian Port Container in January 2010 and recorded a profit of US$7,020,000. The overall profit of the terminal business therefore increased to US$119,882,000 (2009: US$83,554,000), an increase of 43.5% compared with last year.

Container leasing, management and sale businesses yielded a profit of US$96,366,000 (2009: US$71,375,000), a 35.0% increase compared with last year. As at 31st December 2010, the total container fleet of the container leasing business of the Group increased by 3.1% to 1,631,783 TEUs (31st December 2009: 1,582,614 TEUs), among which 813,625 TEUs (31st December 2009: 742,388 TEUs) were owned containers, 118,094 TEUs (31st December 2009: 118,094 TEUs) were sale-and-leaseback containers and 700,064 TEUs (31st December 2009: 722,132 TEUs) were managed containers.

With regard to the container manufacturing business, due to the increase in demand and the price of containers in 2010, CIMC saw marked improvement in its dry container manufacturing business with an increase in operating profit. During the year, profit from container manufacturing business rose significantly to US$91,871,000 (2009: US$30,876,000), an increase of 197.5% compared with last year. Profit from container manufacturing business in 2009 included profit attributable from CIMC, as well as profit of US$5,516,000 from the disposal of 20% stake in Shanghai CIMC Reefer in 2009.

With regard to the logistics business, the Group completed the disposal of its 49% stake in COSCO Logistics on 30th March 2010, realising a profit (net of tax and direct expenses) of US$84,710,000. In 2009, the Group's share of profit of COSCO Logistics was US$25,627,000. No relevant profit was attributable in 2010.

Financial Analysis

Revenue

Revenue of the Group in 2010 was US$446,492,000, a 27.8% increase from US$349,424,000 in 2009. Revenue was mainly derived from container leasing, management and sale businesses and terminal business of US$250,898,000 (2009: US$229,831,000) and US$195,594,000 (2009: US$119,593,000) respectively. Revenue from container leasing, management and sale businesses primarily included container leasing income and revenue from disposal of returned containers. For container leasing income, as the fleet capacity of owned containers and sale-and-leaseback containers reached 813,625 TEUs and 118,094 TEUs respectively at the end of 2010 (2009: 742,388 TEUs and 118,094 TEUs respectively), revenue from container leasing therefore increased to US$207,245,000 in the year (2009: US$198,069,000), an increase of 4.6% over last year. On the other hand, as the sale of returned containers increased to 28,674 TEUs (2009: 22,863 TEUs), revenue from sale of returned containers rose to US$33,895,000 (2009: US$ 22,844,000), an increase of 48.4% year-on-year. Revenue from container management was US$7,416,000, an increase of 14.6% over US$6,470,000 of 2009. Revenue from leasing of reefer-container generator sets was US$2,135,000, a slight decrease of 3.5% from US$2,213,000 recorded last year.

For the terminal and related businesses with controlling stakes, revenue amounted to US$195,594,000 in 2010 (2009: US$119,593,000), a significant increase of 63.5% as compared with last year. The increase was primarily contributed from Piraeus Terminal. In October 2009, COSCO Pacific took over the operation of Pier 2 of the Piraeus Port in Greece. Piraeus Terminal achieved a throughput of 684,881 TEUs (2009: 166,062 TEUs) in 2010, contributing revenue of US$83,303,000 (2009: US$23,159,000) to the Group during the year, representing an increase of approximately 2.6 times year-on-year. The throughput of Quan Zhou Pacific Container Terminal Co., Ltd. ("Quan Zhou Pacific Terminal") was 1,050,710 TEUs and 1,698,693 tons of break-bulk cargo (2009: 936,136 TEUs and 1,473,156 tons of break-bulk cargo) and its revenue increased to US$44,783,000 in the year (2009: US$37,203,000), representing a rise of 20.4% year-on-year.

Cost of sales

Cost of sales mainly comprised depreciation charges on owned containers, net carrying amounts of returned containers disposed of, container rental expense and operating expenses of the terminal companies with controlling stakes. Cost of sales in 2010 was US$279,768,000 (2009: US$200,174,000), an increase of 39.8% over last year. The increase was mainly from the consolidation of the cost of sales incurred by Piraeus Terminal into the accounts of the Group starting from 1st October 2009. In addition, a rise in the container and break-bulk cargo throughput of terminals with controlling stakes also led to the rise in the related cost of sales. The total operating expenses of the terminal business increased to US$154,408,000 in 2010 (2009: US$84,155,000). For container leasing, the depreciation charges for containers were US$84,665,000 (2009: US$77,241,000) in the year. The number of returned containers sold increased to 28,674 TEUs (2009: 22,863 TEUs) and the net carrying amount of disposed returned containers rose to US$25,347,000 (2009: US$19,734,000).

Investment income

Investment income, comprising mainly dividend income, was US$1,612,000 (2009: US$22,339,000), a significant drop of 92.8% over last year. The decrease was mainly due to the completion of the disposal of the Group's stake in Dalian Port Container in January 2010 and, following the completion of the Group's acquisition of approximately 10% additional equity interest in Yantian terminal in June 2010, Yantian terminal being reclassified from an available-for-sale financial asset to an associate and accounted for using the equity method. Yantian terminal did not declare an interim dividend in the first half of 2010. Accordingly, no relevant dividend income from Yantian terminal and Dalian Port Container were recorded in the year (2009: dividend income of US$18,727,000 and US$1,493,000 respectively). Tianjin Five Continents International Container Terminal Co., Ltd. declared dividends of

US$1,485,000 in 2010 (2009: US$2,034,000) to the Group.

Administrative expenses

Administrative expenses in the year were US$59,823,000 (2009: US$62,949,000), a decrease of 5.0% as compared with last year. Though the administrative expenses increased due to the commencement of new terminals in the year, the pre-operating expenses of Piraeus Terminal had been taken into account in the administrative expenses in 2009 and the over-provision of the professional services fee accrued for the project regarding the disposal of COSCO Logistics was reversed in 2010. As a result, the overall administrative expenses decreased in 2010 as compared with last year.

Other operating income/expense, net

Net other operating income in 2010 was US$4,754,000 (2009: an expense of US$8,722,000). In January 2010, the Group completed the disposal of equity interest in Dalian Port Container and recognised a profit of US$7,020,000. On the other hand, owing to the improved economic environment, provision for the year decreased significantly as compared with 2009. In 2010, provision for impairment loss on trade receivables of US$292,000 was reversed (2009: provision for trade receivables: US$3,791,000); provision for inventories of US$1,495,000 (2009: US$7,028,000) was made; and provision for asset impairment of US$1,167,000 (2009: US$3,607,000) was recognised. All the abovementioned factors led to the significant increase in the overall net other operating income in 2010.

Finance costs

The Group's finance costs in 2010 were US$29,439,000 (2009: US$39,805,000), a decrease of 26.0% from last year. The average balance of borrowings increased to US$1,579,766,000 during the year (2009: US$1,485,567,000), an increase of 6.3% as compared with last year. However, the increase was offset by the decrease in London Interbank Offer Rate ("LIBOR"). Average cost of borrowings during the year, including the amortisation of transaction costs over bank loans and notes, was an average 6-month LIBOR of approximately 0.51% plus 135 basis points (i.e. 1.86%). The average cost of borrowings for 2009 was an average 6-month LIBOR of approximately 1.13% plus 155 basis points (i.e. 2.68%).

Share of profits less losses of jointly controlled entities and associates

Net profit contribution from jointly controlled entities amounted to US$74,654,000 in 2010, an increase of 26.1% from US$59,183,000 of last year. Among them, the throughput of COSCO-HIT Terminals (Hong Kong) Limited and Shanghai Pudong International Container Terminals Limited increased by 12.9% and 6.9% respectively during the year and their profits increased to US$21,244,000 and US$22,945,000 respectively (2009: US$17,080,000 and US$20,118,000 respectively), representing increases of 24.4% and 14.1% respectively. The throughput of Guangzhou South China Oceangate Terminal also increased markedly, up 41.8% to 3,060,591 TEUs (2009: 2,158,291 TEUs). Its loss in the year narrowed down to US$5,088,000 (2009: a loss of US$10,327,000), representing a decrease in loss of 50.7%. In 2010, Ningbo Yuan Dong Terminals Limited successfully introduced new routes, leading to an increase in throughput by 52.6% to 1,704,588 TEUs (2009: 1,117,169 TEUs). Its profit also increased by 103.7% to US$6,534,000 (2009: US$3,207,000). During the year, COSCO-PSA Terminal Private Limited also saw an increase in its throughput, and turned around from loss-making to profitable, recording a profit of US$1,263,000 (2009: a loss of US$1,516,000). Qingdao Qianwan Container Terminal Co., Ltd. ("Qingdao Qianwan Terminal") achieved a throughput of 10,568,065 TEUs (2009: 8,961,785 TEUs), representing a 17.9% increase. However, the gradual certification and commencement of production of terminal equipment of Qingdao Qianwan United Container Terminal Co., Ltd. ("Qingdao Qianwan United Terminal"), a jointly controlled entity of Qingdao Qianwan Terminal, led to an increase in depreciation and interest charges of Qingdao Qianwan Terminal. The overall profit of Qingdao Qianwan Terminal fell to US$25,563,000 (2009: US$ 26,649,000), representing a decrease of 4.1% year-on-year.

During the year, share of net profit from associates increased significantly to US$132,120,000 (2009: US$32,890,000), an increase of 301.7% year-on-year. After the completion of acquisition of further interest in Yantian terminal in June 2010, the Group's investment in Yantian terminal was reclassified from an available-for-sale financial asset to an associate and is accounted for using the equity method. The share of profit from Yantian terminal to the Group using the equity method was US$30,216,000 (2009: Nil) in 2010. With regard to the container manufacturing business, due to the increase in demand and the price of containers in 2010, CIMC saw marked improvement in its dry container manufacturing business with an increase in operating profit. Its profit contribution to the Group rose by 262.3% to US$91,871,000 (2009: US$25,360,000) in 2010 as compared with last year.

Profit on disposal of a jointly controlled entity

In order to simplify the shareholding structure of the container manufacturing business of the Group and concentrate on the development of the core businesses such as terminal business and container leasing business, the Group completed the disposal of its 20% equity interest in Shanghai CIMC Reefer in 2009, which generated a profit of US$5,516,000. No relevant profit was recognised in 2010.

Income tax expenses

During the year, income tax expenses amounted to US$15,653,000 (2009: US$13,286,000). This included a provision of US$12,900,000 (2009: US$11,317,000) for withholding income tax in respect of the profit distribution by certain investments of the Group in the PRC.

Profit from discontinued operation

Profit from discontinued operation represents the profit generated from the disposal of COSCO Logistics. In March 2010, the Group completed the disposal of COSCO Logistics which resulted in a profit (net of direct expenses and tax) of US$84,710,000. Profit of US$25,627,000 attributed from COSCO Logistics was recognised in 2009 and no profit was recorded in this regard in 2010.

Financial Position

Cash flow

Cash inflow of the Group remained steady in 2010. During the year, net cash from operating activities amounted to US$255,702,000 (2009: US$174,896,000). The Group drew bank loans of US$202,401,000 (2009: US$285,783,000) and repaid US$265,153,000 (2009: US$100,749,000) in 2010. On the other hand, the net proceeds from the placing of the Company's 449,000,000 new shares amounted to approximately US$584,000,000, after deduction of placing commission and expenses.

In 2010, the total cash outflow for investments of the Group amounted to US$570,871,000, mainly comprising US$520,000,000 used for the acquisition of an approximate 10% equity interest in Yantian terminal, US$27,996,000 used for reinvestment of dividend of Yantian terminal, US$9,052,000 used for capital injection in Nanjing Port Longtan Container Co., Ltd. ("Nanjing Longtan Terminal"), US$7,030,000 used for capital injection in Dalian Automobile Terminal Co., Ltd. and US$3,352,000 used for provision of shareholders' loan to Antwerp Gateway NV ("Antwerp Terminal"). In 2009, the total cash outflow for investments of the Group amounted to US$39,027,000, comprising US$13,560,000 used for Nanjing Longtan Terminal, US$18,727,000 used for reinvestment of dividend of Yantian terminal and US$6,740,000 for Antwerp Terminal. In 2010, an amount of US$375,342,000 (2009: US$364,716,000) was paid in cash for the expansion of berths and purchase of property, plant and equipment, of which US$239,607,000 (2009: US$47,222,000) was for the purchase of new containers.

Financing and credit facilities

On 12th May 2010, COSCO Pacific completed the placing of 449,000,000 new shares at HK$10.4 per share. After deduction of commission and expenses of the placing, the net proceeds of approximately US$584,000,000 were raised, which were mainly for the acquisition of approximately 10% equity interest in Yantian terminal. After the placing, the number of issued shares of the Company increased from 2,262,525,573 shares to 2,711,525,573 shares.

As at 31st December 2010, cash balance of the Group was US$524,274,000 (2009: US$405,754,000) and banking facilities available but unused amounted to US$1,099,127,000 (2009: US$673,000,000).

Assets and liabilities

As at 31st December 2010, the Group's total assets and total liabilities amounted to US$5,251,917,000 (2009: US$4,635,312,000) and US$1,758,055,000 (2009: US$1,776,961,000) respectively. Net assets in 2010 increased to US$3,493,862,000 (2009: US$2,858,351,000) and the increase was primarily from the placing and the net profit of 2010. Net asset value per share was US$1.29 (2009: US$1.26), an increase of 2.4% over last year.

As at 31st December 2010, the cash balance of the Group was US$524,274,000 (2009: US$405,754,000). Total outstanding borrowings amounted to US$1,558,755,000 (2009: US$1,604,285,000). Net debt-to-equity ratio decreased to 29.6% from 41.9% of last year. Excluding profit from the discontinued logistics business, the interest coverage was 11.1 times compared with 5.1 times of last year. As at 31st December 2010, certain of the Group's property, plant and equipment with an aggregate net book value of US$20,896,000 (2009: Nil) were pledged as securities against bank borrowings of US$64,180,000 (2009: Nil).

Debt analysis

	As at 31st December 2010		As at 31st December 2009	
	US$	**(%)**	US$	(%)
By repayment term				
Within the first year	**169,109,000**	**10.8**	193,614,000	12.1
Within the second year	**297,490,000**	**19.1**	143,053,000	8.9
Within the third year	**668,458,000**	**42.9**	290,219,000	18.1
Within the fourth year	**173,001,000**	**11.1**	662,174,000	41.3
Within the fifth year and after	**250,697,000**	**16.1**	315,225,000	19.6
	1,558,755,000 *	**100.0**	1,604,285,000 *	100.0
By category				
Secured borrowings	**64,180,000**	**4.1**	-	-
Unsecured borrowings	**1,494,575,000**	**95.9**	1,604,285,000	100.0
	1,558,755,000 *	**100.0**	1,604,285,000 *	100.0
By denominated currency				
US dollar borrowings	**1,165,404,000**	**74.8**	1,226,587,000	76.5
RMB borrowings	**329,171,000**	**21.1**	377,698,000	23.5
Euro borrowings	**64,180,000**	**4.1**	-	-
	1,558,755,000 *	**100.0**	1,604,285,000 *	100.0

***** Net of unamortised discount on notes and transaction costs on borrowings and notes.

Financial guarantee contracts

As at 31st December 2010, the Group had provided guarantees on a loan facility granted to an associate of US$29,505,000 (2009: US$31,788,000).

Contingent liabilities

A statement of claim was issued on 19th October 2009 by ADK against the Company and Piraeus Terminal, a wholly owned subsidiary of the Company, in a civil claim at the Court of First Instance of Athens in Greece alleging non-payment of fees for design services and project management services. The plaintiff has claimed approximately Euro 5,800,000 (equivalent to approximately US$7,700,000) in total. The Company and Piraeus Terminal have defended all material claims at the trial hearing held on 30th November 2010.

The Court of First Instance of Athens has issued (pronounced) judgment on the case and has dismissed the aforementioned statement of claim in its entirety both as regards the Company and as regards Piraeus Terminal. According to Greek procedural law, the plaintiff (ADK) has the right to file an appeal against the aforesaid judgment of the Court of First Instance of Athens before the Court of Appeals of Athens. The directors and management of the Company, having taken legal advice, are of the view that the Company and Piraeus Terminal have good defences to all material claims and that the dismissal of the aforementioned statement of claim in its entirety by the Court of First Instance of Athens has further strengthened the Company's position on this case. However, and as long as ADK maintains the right to file an appeal against the judgment of the Court of First Instance in accordance with Greek procedural law, it is still not possible to predict the final outcome of this litigation with certainty. Hence, no provision has been made for the claims.

Treasury policy

The Group manages its foreign exchange risk by matching the currencies of its loans with the Group's functional currency of major cash receipts and underlying assets as far as possible. Borrowings for the container leasing business are mainly denominated in US dollars, which is the same currency as the majority of its revenue and expenses so as to minimise potential foreign exchange exposure.

The financing activities of jointly controlled entities and associates were denominated in their respective functional currencies so as to minimise foreign exchange exposure in investments.

The Group continues to exercise stringent control over the use of financial derivatives to hedge against its interest rates exposure. As at 31st December 2010, outstanding interest rate swap contracts comprised nominal principal amounting to US$200,000,000 (31st December 2009: US$200,000,000) in total whereby the Group agreed to pay the banks interest at floating rates ranging from 105 basis points to 116 basis points (2009: 105 basis points to 116 basis points) above 6-month LIBOR in return for receiving interests from the banks at a fixed interest rate of 5.875% per annum (2009: 5.875%).

As at 31st December 2010, after adjustment of the fixed rate borrowings for the interest rate swap contracts, 6.4% (31st December 2009: 6.2%) of the Group's total borrowings were in fixed rate. The Group continues to monitor and regulate its fixed and floating rate debt portfolio from time to time in light of the market conditions, with a view to minimising its potential interest rate exposure.

Event after the balance sheet date

CP Nansha was a jointly controlled entity of the Group. By virtue of the clause in an agreement entered into by the Group and the other shareholder of CP Nansha, the joint control of CP Nansha expired on 31st December 2010 and the Group has the power to govern the financial and operating policies of CP Nansha and its subsidiary, Guangzhou South China Oceangate Terminal, from then onwards. Accordingly, the Group has accounted for CP Nansha as a subsidiary since 1st January 2011.

BUSINESS REVIEW

Terminals

Global economy showed signs of a two-speed recovery in 2010. During the year, the major developed countries in Europe and America were restoring their economic growth momentum while the major developing countries in Asia were experiencing a strong rebound in economic and trade growth. It benefitted the global container port industry to achieve a solid recovery in 2010. According to the forecast of Drewry Shipping Consultants Limited ("Drewry") in December 2010, the global container throughput would reach 539,518,000 TEUs in 2010 (2009: 475,965,000 TEUs), representing a year-on-year increase of 13.4%.

During the year, China's economy registered a 10.3% increase, which stimulated a vigorous recovery in imports and exports, and thus in the port industry. According to the statistics of the General Administration of Customs of China, total imports and exports amounted to US$2,972.8 billion in 2010, representing a year-on-year increase of 34.7%, while imports and exports recorded year-on-year increases of 38.7% and 31.3% respectively. The outstanding performance of the imports of China accelerated the container terminal throughput growth in China. According to the Ministry of Transport of China, the container throughput of the major ports in China for the year of 2010 was approximately 145,000,000 TEUs (2009: 130,866,000 TEUs), representing a year-on-year increase of approximately 18.8%.

Container throughput grows by 19.4%

The Group's terminal development strategy is to expand its worldwide terminal network while continuing to focus on China. This strategy allows the Group to benefit from both Chinese and global economic growth. As at 31st December 2010, the Group operated 107 berths at 17 ports worldwide, including 97 container berths, 8 break-bulk berths and 2 automobile berths. This terminal portfolio achieved satisfactory business performance in 2010. Total container throughput rose by 19.4% to 48,523,870 TEUs (2009: 40,643,042 TEUs), in which 43,094,962 TEUs (2009: 36,272,610 TEUs) were handled in Mainland China and Hong Kong, accounting for 88.8% of the Group's total throughput. Furthermore, the Group's terminal portfolio has steadily diversified. During the year, break-bulk cargo throughput increased strongly by 39.1% to 23,606,588 tons (2009: 16,973,421 tons) while automobile throughput rose significantly by 143.2% to 121,887 vehicles (2009: 50,110 vehicles).

Further strengthening the leading position in the global and China container terminal market

In August 2010, Drewry published the league table of global container terminal operators in terms of container terminal throughput in 2009. COSCO Pacific maintained its position as the fifth largest terminal operator, with a global market share of 6.9% (2008: 6.1%). Furthermore, COSCO Pacific was also one of the major container terminal operators in China with approximately 28.7% of market share (2009: 28.8%). In 2010, the Group's container throughput growth of 19.4% outperformed the global throughput growth of 13.4%. It further strengthened the Group's leading position in the global and China market.

Terminal revenue rises sharply by 63.5%

As at 31st December 2010, the Group held controlling stakes in six terminals, including Piraeus Terminal (100%), Quan Zhou Pacific Terminal (71.43%), Jinjiang Pacific Ports Development Co., Ltd. ("Jinjiang Pacific Terminal") (80%), Zhangjiagang Win Hanverky Container Terminal Co., Ltd. (51%), Yangzhou Yuanyang International Ports Co., Ltd. ("Yangzhou Yuanyang Terminal") (55.59%) and Xiamen Ocean Gate Container Terminal Co., Ltd. ("Xiamen Ocean Gate Terminal") (70%). Piraeus Terminal is the first wholly owned terminal of the Group. Xiamen Ocean Gate Terminal is expected to commence operation in the second half of 2011. The above subsidiaries currently operate and manage 20 berths including 12 container berths and 8 break-bulk or multi-purpose berths. For the past few years, the

Group has been focusing on assuming controlling stakes in terminals which helped to expand the Group's revenue stream from its terminal subsidiaries. As a result, the Group's terminal revenue has achieved a 5-year compound annual growth rate of 61.9%.

In June 2010, the Group fully took over the operation of Pier 2 of the Piraeus Port. Although the outbreak of the sovereign debt crisis in Greece had certain impact on the terminal's operation in 2010, the Group coped with the adverse market changes by focusing on cost control. Piraeus Terminal showed continuous improvement in performance during the year. In 2010, Piraeus Terminal contributed its first full-year revenue of US$83,303,000 (2009: US$23,159,000). It boosted the Group's terminal revenue up by 63.5% to US$195,594,000 (2009: US$119,593,000) which accounted for 43.8% (2009: 34.2%) of the Group's total revenue in 2010.

Profit contribution from terminals increases by 43.5%

The Group dedicated most of its effort to expanding its terminal business and strengthening cost control so as to enhance the profitability of terminal business. In 2010, terminal profit recorded a significant year-on-year increase of 43.5% to US$119,882,000. This remarkable growth in profit was mainly due to the strong recovery of the container terminal market in China. Total container throughput of the Group increased by 19.4% year-on-year, which drove the operating profit growth of its terminals in 2010.

In addition, upon completion of the acquisition of approximately 10% additional equity interest in Yantian terminal, the Group's shareholding in Yantian terminal increased from approximately 5% to approximately 15% which has been equity accounted for as associates since 30th June 2010. The increase in equity interest accelerated the Group's equity throughput by 29.3% to 12,236,920 TEUs in the year and hence the terminal profit growth. In the last five years, the compound annual growth rate of the Group's equity throughput reached 20.1%, which was higher than the corresponding rate of the Group's total throughput of 12.9%, suggesting a gradual strengthening of its control and profitability.

Solid growth of terminal business in China and overseas

The Group has a strong presence in China ports. During the year, container terminal throughput in China accounted for 88.8% (2009: 89.2%) of the Group's total throughput, while overseas terminals accounted for 11.2% (2009: 10.8%). In terms of geographical location, the well-balanced terminal portfolio of the Group diversifies its terminals in four major port areas in China and four transshipment hubs in overseas. Meanwhile, the Group invests in terminals not only located in hub ports in the coastal region, but also in feeder ports or river trade terminals in China. This strategy provides a hub and spoke terminal network which helps the Group take advantage of the growth in domestic and foreign trade in China.

During the year, the Group's container terminal in the Pearl River Delta and Southeast Coast of China performed well, with a year-on-year increase of throughput by 20.9% while container terminal throughput in the Bohai Rim recorded a year-on-year growth of 18.0%. The performance in these two regions was in line with those of the local markets. In the Yangtze River Delta, container throughput recorded a year-on-year increase of 16.8%, slightly lower than the average growth rate of 21.0% in the region. This was mainly due to some mature terminals experiencing lower throughput growth. Overseas, Piraeus Terminal reported its first full-year throughput contribution, which accelerated the Group's overseas container terminal throughput up by 24.2% year-on-year.

Throughput of terminal companies

Terminal companies	2010 (TEUs)	2009 (TEUs)	y-o-y change (%)
Bohai Rim	**17,210,487**	**14,580,578** Note 1	**+18.0**
Qingdao Qianwan Container Terminal Co., Ltd. Note 2	10,568,065	8,961,785	+17.9
Qingdao Cosport International Container Terminals Co., Ltd.	1,284,903	1,145,352	+12.2
Dalian Port Container Terminal Co., Ltd.	1,668,418	1,509,401	+10.5
Tianjin Five Continents International Container Terminal Co., Ltd.	1,917,873	1,940,933	-1.2
Tianjin Port Euroasia International Container Terminal Co., Ltd.	574,296	N/A	N/A
Yingkou Container Terminals Company Limited	1,196,932	1,023,107	+17.0
Yangtze River Delta	**9,789,699**	**8,383,257**	**+16.8**
Shanghai Pudong International Container Terminals Limited	2,450,176	2,291,281	+6.9
Shanghai Container Terminals Limited	3,197,244	2,979,849	+7.3
Ningbo Yuan Dong Terminals Limited	1,704,588	1,117,169	+52.6
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	889,515	715,413	+24.3
Yangzhou Yuanyang International Ports Co., Ltd.	302,617	221,046	+36.9
Nanjing Port Longtan Container Co., Ltd.	1,245,559	1,058,499	+17.7
Pearl River Delta and Southeast Coast	**16,094,776**	**13,308,775**	**+20.9**
COSCO-HIT Terminals (Hong Kong) Limited	1,535,923	1,360,945	+12.9
Yantian International Container Terminals Co., Ltd.	10,133,967	8,579,013	+18.1
Guangzhou South China Oceangate Container Terminal Company Limited	3,060,591	2,158,291	+41.8
Quan Zhou Pacific Container Terminal Co., Ltd.	1,050,710	936,136	+12.2
Jinjiang Pacific Ports Development Co., Ltd.	313,585	274,390	+14.3
Overseas	**5,428,908**	**4,370,432**	**+24.2**
Piraeus Container Terminal S.A.	684,881	166,062	+312.4
Suez Canal Container Terminal S.A.E.	2,856,854	2,659,584	+7.4
COSCO-PSA Terminal Private Limited	1,091,639	904,829	+20.6
Antwerp Gateway NV	795,534	639,957	+24.3
Total container throughput in China	**43,094,962**	**36,272,610** Note 1	**+18.8**
Total container throughput	**48,523,870**	**40,643,042** Note 1	**+19.4**
Total throughput of Dalian Automobile Terminal Co., Ltd. (Vehicles)	**121,887**	**50,110**	**+143.2**
Total throughput of break-bulk cargo (Tons)	**23,606,588**	**16,973,421**	**+39.1**

Note 1: The Group disposed of its 8.13% stake in Dalian Port Container in January 2010. The throughput in 2009 did not include the throughput of this terminal company. The throughput of this terminal company in 2009 amounted to 2,906,768 TEUs.

Note 2: Qingdao Qianwan United Terminal is a jointly controlled entity held by Qingdao Qianwan Terminal. The throughput of Qingdao Qianwan Terminal included the throughput of Qingdao Qianwan United Terminal. Qingdao Qianwan United Terminal started operation in January 2010 and its throughput in 2010 amounted to 1,102,969 TEUs.

Enhance sustainable growth of terminals business

It is expected that a total of 8 new berths, including 2 berths at Xiamen Ocean Gate Terminal, 1 berth at Jinjiang Pacific Terminal, 1 berth at Yangzhou Yuanyang Terminal, 2 berths at Qingdao Qianwan United Terminal and 2 berths at Suez Canal Container Terminal S.A.E. will commence operation in 2011. These new berths will increase the terminal operating capacity and become new growth engine for terminal business.

In order to achieve the sustainable growth of terminal business, the Group has actively participated in constructing and managing several new terminal projects in recent years, including 6 berths at Guangzhou South China Oceangate Terminal that entered full operation in 2007, 3 berths at Tianjin Port Euroasia International Container Terminal Co., Ltd. ("Tianjin Euroasia Terminal") that started operation in July 2010, as well as 2 new container berths at Xiamen Ocean Gate Terminal that will commence operation in the second half of 2011. Meanwhile, the Group successfully obtained the 35-year concession of Piers 2 and 3 of the Piraeus Port in Greece and took over 4 berths at Pier 2 in October 2009.

The above four terminals were running at initial stage, therefore they were still making losses in 2010. The Group endeavors to shorten the ramp-up period by the following key measures. Firstly, the terminals dedicate their efforts to increasing terminal operating efficiency so as to provide quality services to customers. Secondly, by successful marketing strategy to increase the business volume and by effective cost control, the Group achieved significant improvement in the overall performance of loss-making terminals in 2010. Total loss generated from the four terminals decreased to US$19,513,000 (2009: US$24,217,000), representing a year-on-year decrease of 19.4%. The losses from Guangzhou South China Oceangate Terminal and Piraeus Terminal were US$5,088,000 (2009: US$10,327,000) and US$10,156,000 (2009: US$12,277,000) respectively, representing year-on-year decreases of 50.7% and 17.3% respectively. The loss incurred by Guangzhou South China Oceangate Terminal narrowed gradually during the year and Piraeus Terminal recorded a marginal profit during the fourth quarter in 2010, which will enhance the profitability of the Group's terminal business in the near future.

At the same time, the Group will advance market development work for Tianjin Euroasia Terminal and Xiamen Ocean Gate Terminal with the aim of quickening the rate of growth of the business.

Shanghai Container Terminals Limited ("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 in the Shanghai urban area, Shanghai Terminal commenced 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.

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 completion of the transaction will take place in the second quarter of 2011. Located in the old port area of Qingdao port, Qingdao Cosport Terminal was being affected by the limitation on terminal facilities, and hence saw continuous decline in container handling capability over the past few years. The terminal is no longer capable of coping with the rapid growth of Qingdao port as the vessels for domestic trade increase in size and capacity. As both of the international and domestic containers of Qingdao Cosport Terminal have been transferred to Qingdao Qianwan port area and the profitability of the terminal was low in recent years, the Group has decided to dispose of the equity interest in this terminal. The transfer of equity interest marks one of the steps for optimising the terminal portfolio of the Group.

Container Leasing, Management and Sale

The global container shipping and container leasing market saw robust recovery in 2010. During the year, the volume of container shipping increased by 13.6% year-on-year. Newly added capacity of shipping lines amounted to 1,300,000 TEUs, and the strategy of slow steaming operation was continuously adopted. The slow recovery of the production capacity of container manufacturing factories led to a severe shortage in the supply of containers. The price of a 20-foot dry container increased to a maximum of US$2,800 during the year. The average utilisation rate of the container leasing sector was as high as 95% (2009: 86%).

Steady development of container fleet

The container fleet owned and managed by the Group's wholly owned subsidiary, Florens Container Holdings Limited and its subsidiaries ("Florens"), as at 31st December 2010 expanded by 3.1% to 1,631,783 TEUs (31st December 2009: 1,582,614 TEUs), ranking as the third largest container leasing company in the world and representing a market share of approximately 13% (2009: 14.3%), according to the information released by Alphaliner in 2011. The average age of the container fleet was 5.36 years (2009: 4.96 years), and the average utilisation rate in 2010 was 97.3% (2009: 90.6%).

During the year, the Group significantly increased the purchase of new containers to expand its owned container fleet. The Group purchased a total of 111,625 TEUs (2009: 15,000 TEUs) of new containers throughout the year, representing a year-on-year increase of 644.2%; of which 14,900 TEUs of new containers were purchased for COSCO Container Lines Company Limited ("COSCON"), and 96,725 TEUs were for international customers, accounting for 13.3% and 86.7% of the new containers purchased by the Group during the year respectively. The said new containers were mainly on long term leases and most of them were delivered before the fourth quarter of 2010, further increasing the profitability of the container leasing business.

In addition, COSCON returned containers of 40,992 TEUs (2009: 26,589 TEUs) upon expiry of leases during the year. The Group sold a total of 28,674 TEUs (2009: 22,863 TEUs) of returned containers during the year, representing an increase of 25.4% year-on-year.

Fleet capacity movement	**2010 (TEUs)**	2009 (TEUs)	**y-o-y change (%)**
Fleet capacity as at 1st January	**1,582,614**	1,621,222	**-2.4**
New containers purchased	**111,625**	15,000	**+644.2**
Managed containers deposited by a third party	**4,402**	-	**N/A**
Containers returned from COSCON upon expiry of leases			
- Total	**(40,992)**	(26,589)	**+54.2**
- Re-leased	**5,863**	9,113	**-35.7**
- Disposed of and pending for disposal	**(35,129)**	(17,476)	**+101.0**
Ownership transferred to customers upon expiry of finance leases	**(162)**	(556)	**-70.9**
Defective containers written off	**(59)**	(2)	**+2,850.0**
Total loss of containers declared and compensated by customers	**(31,508)**	(35,574)	**-11.4**
Fleet capacity as at 31st December	**1,631,783**	1,582,614	**+3.1**

Expansion of owned container fleet

The total number of the Group's leasing customers was 300 (2009: 306), including 28 out of the 30 largest shipping lines in the world, reflecting a sound customer base. During the year, COSCON was the largest customer of the Group. As at 31st December 2010, the Group leased a total of 499,106 TEUs (31st December 2009: 527,891 TEUs) of containers to COSCON, and 1,132,677 TEUs (31st December 2009: 1,054,723 TEUs) to other international customers, which represented 30.6% (2009: 33.4%) and 69.4% (2009: 66.6%) respectively of the total container fleet of the Group.

The owned container fleet of the Group as at 31st December 2010 expanded by 9.6% year-on-year to 813,625 TEUs (31st December 2009: 742,388 TEUs), which represented 49.8% (31st December 2009: 46.9%) of the total container fleet. Of the owned container fleet, a total of 381,012 TEUs (31st December 2009: 409,797 TEUs) were leased to COSCON, and a total of 432,613 TEUs (31st December 2009: 332,591 TEUs) were leased to international customers. The managed container fleet capacity reduced by 3.1% to 700,064 TEUs (31st December 2009: 722,132 TEUs), which represented 42.9% (31st December 2009: 45.6%) of the total container fleet. The capacity of the sale-and-leaseback containers remained unchanged at 118,094 TEUs, which represented 7.3% (31st December 2009: 7.5%) of the total container fleet. Most of the owned containers and sale-and-leaseback containers mentioned above are on long term leases. The rental income generated from long term leases during the year accounted for 92.7% (2009: 93.2%) of the total container leasing income, continuously providing the Group with a steady source of income.

Breakdown of owned, managed and sale-and-leaseback containers

As at 31st December	**Leasing Customers**	**2010 (TEUs)**	2009 (TEUs)	**y-o-y change (%)**
Owned Containers	COSCON	**381,012**	409,797	**-7.0**
Owned Containers	International customers	**432,613**	332,591	**+30.1**
Managed Containers	International customers	**700,064**	722,132	**-3.1**
Sale-and-leaseback Containers	COSCON	**118,094**	118,094	**-**
Total		**1,631,783**	1,582,614	**+3.1**

As at 31st December	**Leasing Customers**	**2010 % of total**	2009 % of total	**y-o-y change (pp)**
Owned Containers	COSCON	**23.3**	25.9	**-2.6**
Owned Containers	International customers	**26.5**	21.0	**+5.5**
Managed Containers	International customers	**42.9**	45.6	**-2.7**
Sale-and-leaseback Containers	COSCON	**7.3**	7.5	**-0.2**
Total		**100.0**	100.0	**-**

Satisfactory performance of container leasing, management and sale

Driven by the increase in lease of containers and sale of returned containers, the revenue from container leasing, management and sale of the Group in 2010 increased by 9.2% year-on-year to US$250,898,000 (2009: US$229,831,000), reflecting a satisfactory business growth. This business segment contributed a total profit of US$96,366,000 (2009: US$71,375,000), representing a substantial increase of 35.0% year-on-year.

Promising outlook for the container leasing business

Due to the extension of the lifespan of old containers over the world in recent years, the demand for renewal has accumulated to over 1,400,000 TEUs in 2011. Meanwhile, due to an expected increase of container shipping volume of approximately 8% and an increase of over 1,300,000 TEUs in global shipping capacity in 2011, the increase in demand for new containers will surge further and seasonal shortage of containers is expected to occur in 2011. In 2010, over 60% of the new containers in the world were purchased by container leasing companies and shipping lines are expected to continue to take up a large proportion of leasing. With the strong demand in containers, continued appreciation in Renminbi exchange rate and high material cost, the price of new containers is expected to remain at a high level in 2011.

In the beginning of 2011, the container leasing industry saw increased mergers and acquisitions, which reflected the optimistic outlook for the container leasing market. Based on the above mentioned market trend, the Group will seize the favorable opportunity to continue to expand its container fleet, particularly in the proportion of more profitable owned containers. It will also bring the purchase and sale in tune with market conditions to increase overall returns. As the demand for container leasing is still strong, the utilisation rate is expected to remain generally at a higher level. As the approximately 90,000 TEUs of new containers ordered in mid February 2011 will be delivered in the first and second quarters and the next new container purchase plan will be formulated according to the market demand, the leasing volume of the owned containers of the Group will further increase. The price and rent of new containers are expected to maintain at a relatively high level in 2011, which will benefit the Group in respect of growth of leasing revenue.

Container Manufacturing

The Group holds 21.8% stake in CIMC, the world's largest container manufacturer. Due to the buoyant demand for new dry containers, supply is falling short and there is a huge surge in the price of new containers. In 2010, CIMC saw marked improvement in its dry container manufacturing business, with a significant increase in operating profit. Profit contribution from container manufacturing business to the Company amounted to US$91,871,000, representing a year-on-year increase of 197.5%. It is expected that demand will still be strong in the container market in 2011 and the outlook for the container manufacturing business is promising.

CORPORATE GOVERNANCE

The Company continues to maintain high standards of corporate governance so as to promote transparency and ensure better protection of shareholders' interest as a whole. The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Corporate Governance Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules'') throughout the year ended 31st December 2010, except the following deviation:

Code Provision E.1.2

The code provision E.1.2 of the Corporate Governance Code provides that the chairman of the board shall attend the annual general meeting of the company. Due to business commitment, Mr. CHEN Hongsheng, the ex-Chairman of the Board, was unable to attend the Annual General Meeting of the Company held on 25th May 2010. This constituted a deviation from the code provision E.1.2 of the Corporate Governance Code.

BOARD COMMITTEES

Audit Committee

The Audit Committee of the Company comprises four independent non-executive directors of the Company. The Audit Committee has reviewed, in the presence of the internal and external auditors, the Group’s principal accounting policies and the consolidated financial statements for the year ended 31st December 2010.

Remuneration Committee

The Remuneration Committee of the Company comprises five members, a majority of whom are independent non-executive directors. The Committee formulates the Group’s remuneration policy of directors and senior management, reviews and determines their remuneration packages and makes recommendations to the Board regarding the remuneration of directors.

Other Board Committees

In addition to the above committees, the Board has also established various committees which include Executive Committee, Nomination Committee, Investment and Strategic Planning Committee, Corporate Governance Committee and Risk Management Committee. Each committee has its defined scope of duties and terms of reference. The terms of reference of the above committees have been posted on the Company’s website at www.coscopac.com.hk.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules as the Company’s code of conduct and rules governing dealings by all directors in the securities of the Company. Having made specific enquiry of all directors of the Company, they all confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31st December 2010.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries purchased or sold any of the Company’s listed shares during the year.

OVERALL MANAGEMENT AND AWARDS

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 by 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” given by The Asset magazine. Meanwhile, the 2009 annual report of the Company was recognised by a citation for corporate governance disclosure by 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.

INVESTOR RELATIONS

The Group pays high attention to its investor relations. Management of the Company introduces the Group's operation, management, development strategy and prospect to its corporate stakeholders through activities such as press conferences, road shows and individual meetings. During the year, the Company met with a total of 411 investors and related personnel, 49% of which were fund managers, 27% of which were investment bankers, 14% of which were analysts and 10% were media representatives. Besides, the Company arranged 5 road shows and organised 6 visits to its terminals for investors.

CORPORATE CULTURE

Employee Relations

As at 31st December 2010, COSCO Pacific had 2,809 employees based mainly in China, but also in other regions of Asia, America, Europe and Oceania.

Building and training a team of efficient and self-motivated employees is crucial to the Group's business development, and the Group's business expansion provides employees with promising opportunities for career development. During the year, the Group concentrated its efforts on building the management team in the core terminal business. As the Group is establishing more terminals, both domestic and overseas, the management team is focusing on setting consistent and professional standards internationally.

In the interest of continuous efforts to attract and nurture new recruits, an internal job rotation scheme was implemented to develop fully the potential of staff members. The Group enhanced the supervision, training and professional guidance of the terminals management team. The Group's headquarters provided full support to the management team posted to Piraeus Terminal in Greece. Despite many difficulties, the team was able to fully take over operations, which was a remarkable achievement. The Group encourages employees to contribute to its operation and development, and in 2010, four employees were awarded the title Operations Management Champions for their outstanding accomplishments.

The Group firmly believes that employees are its most important assets, and so it aims to create a harmonious working environment. The Group also encourages staff to learn conscientiously and strive for excellence, improving through a variety of training programmes. With a fair and competitive incentive scheme and personalised management practices, the Group aims to heighten everyone's enthusiasm and sense of belonging. In 2010, the Company organised tours for its staff heading to Chengdu, Jiuzhaigou and the World Expo in Shanghai, to strengthen staff relationships.

Social Responsibility

COSCO Pacific is devoted to corporate citizenship by participating in public welfare and community service, promoting environmental awareness and supporting sustainable social development.

The Company is genuinely concerned about community development, and takes part in community construction activities. In 2010, the Company committed to sponsor staff uniforms to the Special Olympics hosted by Greece, and donated through the COSCO Foundation for reconstruction after the earthquake in Yushu, Qinghai province, China. Subsidiary companies also made various forms of contribution in support of local schools, hospitals and other social organisations.

The Company feels it is important to act responsibly on environmental issues. In 2007, COSCO Pacific joined the Hong Kong Business Environment Council to promote environmental conservation and to increase its employees' awareness of environment protection. The Company continues to adhere to the

Clear Air Charter Certification Scheme, co-organised by the Hong Kong General Chamber of Commerce and the Business Coalition on the Environment, which aims to improve air quality in the greater Pearl River delta. In addition, the Company encourages its terminals to use environmentally friendly technology, such as switching from fuel-powered to electrical equipment.

PROSPECTS

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

The year of 2011 marks the commencement of the 12th Five-Year Plan of China. Under the general direction 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 the 2011 action plan of China, Premier WEN Jiabo expressed that China's GDP is expected to grow by about 8% in 2011. In January 2011, IMF projected an even more optimistic forecast for China's GDP growth of 9.6%. Furthermore, 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 attracts international enterprises to accelerate their investment plans in China. More goods will be transported to China market via the supply chain system. The port industry plays an important part of role in China's 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, to strengthen the construction of national highways, and to 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 research in February 2011, China ports are expected to achieve an overall throughput growth of about 13% in 2011. Major terminals in China have started to raise tariffs at the beginning of 2011, which will in turn benefit the operation of the terminal industry. However, the industry still faces challenges in respect of increasing operational costs due to rising inflation and this will create pressure on the profitability of the terminal industry. The Group will continue to tighten the cost control and will pay particular attention to those terminals which are in loss situation or will incur regular start-up losses due to commencement of operation in 2011. Looking forward, while expanding its existing terminal operation, COSCO Pacific will continue to actively look for investment opportunities in prime terminals for the year of 2011.

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. As the container demand remains strong, the Group will expand its container leasing business in 2011.

The Group will continue to aim at maximizing enterprise value. Through implementing corporate citizenship, the Group will further enhance its standard of corporate governance and maintain a high level of corporate transparency, as well as put emphasis on environment protection, to safeguard the interest of stakeholders, and be committed to creating value for the shareholders.

MEMBERS OF THE BOARD

As at the date of this announcement, the Board comprises Mr. XU Lirong[2] (Chairman), Mr. XU Minjie[1] (Vice Chairman and Managing Director), Dr. SUN Jiakang[2], Mr. HE Jiale[1], Mr. WANG Zenghua[1], Mr. FENG Jinhua[1], Mr. WANG Haimin[2], Mr. GAO Ping[2], Dr. WONG Tin Yau, Kelvin[1], Mr. YIN Weiyu[1], Dr. LI Kwok Po, David[3], Mr. CHOW Kwong Fai, Edward[3], Mr. Timothy George FRESHWATER[3] and Dr. FAN HSU Lai Tai, Rita[3].

[1] Executive Director
[2] Non-executive Director
[3] Independent Non-executive Director

By Order of the Board
COSCO Pacific Limited
XU Minjie
Vice Chairman & Managing Director

Hong Kong, 23rd March 2011