COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

2011 FINAL RESULTS ANNOUNCEMENT

RESULTS HIGHLIGHTS

- Revenue rose by 34.2% to US$599,159,000 (2010: US$446,492,000). The revenue derived from the terminal business and from the container leasing, management and sale businesses, which respectively recorded increases of 65.3% and 10.2% to US$323,339,000 (2010: US$195,594,000) and US$276,547,000 (2010: US$250,898,000).
- Gross profit rose by 55.4% to US$259,018,000 (2010: US$166,724,000). This increase was due in part to Guangzhou South China Oceangate Container Terminal Company Limited ("Guangzhou South China Oceangate Terminal") being reclassified from a jointly controlled entity to a subsidiary from 1st January 2011. Also, Piraeus Container Terminal S.A. ("Piraeus Terminal"), the Group's wholly owned subsidiary, returned to profitability from September 2010.
- Excluding non-recurring items[Note 1], profit attributable to equity holders of the Company increased by 35.2% to US$364,373,000 (2010: US$269,577,000). Including non-recurring items, profit attributable to equity holders rose by 7.6% to US$388,771,000 (2010: US$361,307,000).
- Propose a final dividend of HK17.4 cents per share (2010: HK19.3 cents). The dividend will be payable in cash and with a scrip dividend alternative. Full-year dividend was HK44.6 cents (2010: HK44.1 cents) with payout ratio of 40.0% (2010: 40.0%).
- Profit from the terminal business grew by 54.2% to US$184,890,000 (2010: US$119,882,000). The rise was mainly due to equity throughput having increased 21.9% to 13,744,329 TEUs (2010: 11,274,744 TEUs[Note 2]), an approximately 10% additional stake in Yantian International Container Terminals Co., Ltd. ("Yantian Terminal"), and profit turnaround at Piraeus Terminal and Guangzhou South China Oceangate Terminal. Total throughput increased 15.1% to 50,695,897 TEUs (2010: 44,041,723 TEUs[Note 2]).
- Profit from the container leasing, management and sale businesses increased by 20.9% to US$116,508,000 (2010: US$96,366,000). The increase in profit was mainly due to the container fleet size having increased by 8.9% to 1,777,792 TEUs (2010: 1,631,783 TEUs) with an overall average utilisation rate of 96.1% (2010: 97.3%).
- Profit from the container manufacturing business increased 30.4% to US$119,799,000 (2010: US$91,871,000).

Note 1: Non-recurring items in 2011 include gain on release of exchange reserve of US$11,841,000 upon reclassification of COSCO Ports (Nansha) Limited ("CP Nansha") and its subsidiary, Guangzhou South China Oceangate Terminal, from jointly controlled entities to subsidiaries starting from 1st January 2011 and profit on disposal of Qingdao Cosport International Container Terminals Co., Ltd. ("Qingdao Cosport Terminal") of US$12,557,000 (2010: profit on disposal of COSCO Logistics Co., Ltd. ("COSCO Logistics") of US$84,710,000 and profit on disposal of Dalian Port Container Co., Ltd. ("Dalian Port Container") of US$7,020,000).

Note 2: Total throughput and equity throughput in 2010 excluded throughput of Qingdao Cosport Terminal and Shanghai Container Terminals Limited ("Shanghai Terminal"). The Group sold its 50% interest in Qingdao Cosport Terminal on 28th April 2011, and Shanghai Terminal made a strategic change in business model and ceased handling containers in January 2011.

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 2011. 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 2011

	Note	**2011** *US$'000*	2010 *US$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**3,155,865**	2,127,307
Investment properties		**7,571**	4,742
Land use rights		**223,870**	141,736
Intangible assets		**9,231**	7,593
Jointly controlled entities		**537,700**	460,898
Loans to jointly controlled entities		**-**	131,342
Associates		**1,550,030**	1,460,370
Loan to an associate		**28,930**	28,500
Available-for-sale financial asset		**17,000**	25,000
Finance lease receivables		**15,259**	1,418
Deferred income tax assets		**1,690**	3,477
Derivative financial instruments		**13,948**	19,532
Other non-current assets	3	**60,668**	64,466
		5,621,762	4,476,381
Current assets			
Inventories		**9,332**	13,553
Trade and other receivables	4	**259,991**	214,771
Current income tax recoverable		**30**	860
Restricted bank deposits		**111**	-
Cash and cash equivalents		**580,958**	524,274
		850,422	753,458
Asset held for sale	5	**-**	22,078
		850,422	775,536
Total assets		**6,472,184**	5,251,917

CONSOLIDATED BALANCE SHEET (Continued)
AS AT 31ST DECEMBER 2011

	Note	**2011** *US$'000*	2010 *US$'000*
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**34,805**	34,801
Reserves		**3,531,763**	3,245,993
Proposed final dividend		**60,744**	67,327
		3,627,312	3,348,121
Non-controlling interests		**252,847**	145,741
Total equity		**3,880,159**	3,493,862
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**45,455**	29,814
Long term borrowings		**1,573,470**	1,389,646
Loans from non-controlling shareholders of subsidiaries		**169,812**	-
Other long term liabilities		**3,564**	2,425
		1,792,301	1,421,885
Current liabilities			
Trade and other payables	6	**201,470**	162,370
Current income tax liabilities		**3,730**	4,691
Current portion of long term borrowings		**420,131**	136,045
Short term bank loans		**174,393**	33,064
		799,724	336,170
Total liabilities		**2,592,025**	1,758,055
Total equity and liabilities		**6,472,184**	5,251,917
Net current assets		**50,698**	439,366
Total assets less current liabilities		**5,672,460**	4,915,747

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2011

	Note	**2011** *US$'000*	2010 *US$'000*
Continuing operations:			
Revenue	2	**599,159**	446,492
Cost of sales		**(340,141)**	(279,768)
Gross profit		**259,018**	166,724
Investment income		**1,992**	1,612
Administrative expenses		**(89,323)**	(59,823)
Other operating income	7	**20,448**	21,172
Other operating expenses		**(12,735)**	(16,418)
Operating profit	8	**179,400**	113,267
Finance income	9	**5,070**	6,537
Finance costs	9	**(58,419)**	(29,439)
Operating profit after finance income and costs		**126,051**	90,365
Share of profits less losses of			
- jointly controlled entities		**96,638**	74,654
- associates		**179,290**	132,120
Profit on disposal of a jointly controlled entity, net of tax	5	**12,557**	-
Gain on release of exchange reserve upon reclassification from a jointly controlled entity to a subsidiary	10	**11,841**	-
Profit before income tax from continuing operations		**426,377**	297,139
Income tax expenses	11	**(28,771)**	(15,653)
Profit for the year from continuing operations		**397,606**	281,486
Discontinued operation:			
Profit on disposal of a jointly controlled entity, net of tax	12	**-**	84,710
Profit for the year		**397,606**	366,196
Profit attributable to:			
Equity holders of the Company		**388,771**	361,307
Non-controlling interests		**8,835**	4,889
		397,606	366,196
Dividends	13	**155,416**	159,113

CONSOLIDATED INCOME STATEMENT (Continued)
FOR THE YEAR ENDED 31ST DECEMBER 2011

	Note	**2011**	2010
Earnings per share for profit attributable to equity holders of the Company			
- basic			
- from continuing operations	14	**US14.34 cents**	US10.85 cents
- from discontinued operation	14	**-**	US3.32 cents
		US14.34 cents	US14.17 cents
- diluted			
- from continuing operations	14	**US14.33 cents**	US10.84 cents
- from discontinued operation	14	**-**	US3.32 cents
		US14.33 cents	US14.16 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2011

	2011	2010
	US$'000	*US$'000*
Profit for the year	**397,606**	366,196
Other comprehensive income		
Exchange differences from retranslation of financial statements of subsidiaries, jointly controlled entities and associates	**93,122**	45,138
Fair value loss on an available-for-sale financial asset	**(8,000)**	(1,000)
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	**(6,838)**	(46,364)
Release of reserves upon disposal of an available-for-sale financial asset	**-**	(7,020)
Release of exchange reserve upon reclassification of a jointly controlled entity to a subsidiary	**(11,841)**	-
Share of reserves of jointly controlled entities and associates		
- exchange reserve	**328**	(3,847)
- revaluation reserve	**(5,071)**	(8,643)
- hedging reserve	**(423)**	(630)
- other reserves	**2,864**	(93)
Other comprehensive income/(loss) for the year	**64,141**	(211,097)
Total comprehensive income for the year	**461,747**	155,099
Total comprehensive income attributable to:		
Equity holders of the Company	**439,409**	145,944
Non-controlling interests	**22,338**	9,155
	461,747	155,099

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.

Adoption of new HKFRSs

In 2011, the Group has adopted the following new and revised HKFRS standards, interpretations, amendments or improvements to existing standards (collectively the "new HKFRSs") issued by the HKICPA which are mandatory for the financial year ended 31st December 2011:

HKAS 32 Amendment	Classification of Right Issues
HKFRS 1 Amendment	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HK(IFRIC)-Int 14 Amendment	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

Improvements to existing standards

HKAS 1 (Revised) Amendment	Presentation of Financial Statements
HKAS 27 (Revised) Amendment	Consolidated and Separate Financial Statements
HKAS 34 Amendment	Interim Financial Reporting
HKFRS 1 Amendment	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 3 (Revised) Amendment	Business Combinations
HKFRS 7 Amendment	Financial Instruments: Disclosures
HK(IFRIC)-Int 13 Amendment	Customer Loyalty Programmes

The adoption of the above 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.

1. BASIS OF PREPARATION (Continued)

The HKICPA has issued the following new HKFRS standards, interpretation and amendments to existing standards which are not yet effective for the year ended 31st December 2011 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
New standards, interpretation and amendments		
HKAS 1 Amendment	Presentation of Financial Statements	1st July 2012
HKAS 12 Amendment	Deferred Tax: Recovery of Underlying Assets	1st January 2012
HKAS 19 (2011)	Employee Benefits	1st January 2013
HKAS 27 (2011)	Separate Financial Statements	1st January 2013
HKAS 28 (2011)	Investment in Associates and Joint Ventures	1st January 2013
HKAS 32 Amendment	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities	1st January 2014
HKFRS 1 Amendment	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1st July 2011
HKFRS 7 Amendment	Disclosures - Transfer of Financial Assets	1st July 2011
HKFRS 7 Amendment	Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities	1st January 2013
HKFRS 7 and HKFRS 9 Amendments	Mandatory Effective Date and Transition Disclosures	1st January 2015
HKFRS 9	Financial Instruments	1st January 2015
HKFRS 10	Consolidated Financial Statements	1st January 2013
HKFRS 11	Joint Arrangements	1st January 2013
HKFRS 12	Disclosures of Interests in Other Entities	1st January 2013
HKFRS 13	Fair Value Measurements	1st January 2013
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine	1st January 2013

The Group will apply the above standards, interpretation and amendments 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 financial impact 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 was 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.

Corporate assets comprise property, plant and equipment, investment properties, intangible assets, derivative financial assets, inter-segment loans, other prepayments and receivables and cash and cash equivalents.

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

Segment assets

	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*
At 31st December 2011							
Segment assets	**3,563,538**	**1,722,943**	**777,379**	**6,063,860**	**517,601**	**(109,277)**	**6,472,184**
Segment assets include:							
Jointly controlled entities	**537,700**	-	-	**537,700**	-	-	**537,700**
Associates	**772,651**	-	**777,379**	**1,550,030**	-	-	**1,550,030**
Available-for-sale financial asset	**17,000**	-	-	**17,000**	-	-	**17,000**
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 asset	25,000	-	-	25,000	-	-	25,000
Asset held for sale	22,078	-	-	22,078	-	-	22,078

2. SEGMENT INFORMATION (Continued)

(a) Operating segments (Continued)

Segment revenue, results and other information

	Continuing operations						
	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*
Year ended 31st December 2011							
Revenue - external sales	**323,339**	**276,547**	**-**	**599,886**	**-**	**(727)**	**599,159**
Segment profit/(loss) attributable to equity holders of the Company	**184,890**	**116,508**	**119,799**	**421,197**	**(32,426)**	**-**	**388,771**
Segment profit/(loss) attributable to equity holders of the Company includes:							
Finance income	**749**	**1,016**	**-**	**1,765**	**9,744**	**(6,439)**	**5,070**
Finance costs	**(47,913)**	**(7,558)**	**-**	**(55,471)**	**(10,387)**	**7,439**	**(58,419)**
Share of profits less losses of							
- jointly controlled entities	**96,638**	**-**	**-**	**96,638**	**-**	**-**	**96,638**
- associates	**59,491**	**-**	**119,799**	**179,290**	**-**	**-**	**179,290**
Profit on disposal of a jointly controlled entity, net of tax	**12,557**	**-**	**-**	**12,557**	**-**	**-**	**12,557**
Gain on release of exchange reserve upon reclassification from a jointly controlled entity to a subsidiary	**-**	**-**	**-**	**-**	**11,841**	**-**	**11,841**
Income tax expenses	**(4,667)**	**(2,566)**	**-**	**(7,233)**	**(21,538)**	**-**	**(28,771)**
Depreciation and amortisation	**(50,453)**	**(89,683)**	**-**	**(140,136)**	**(2,017)**	**-**	**(142,153)**
Other non-cash expenses	**(489)**	**(6,501)**	**-**	**(6,990)**	**(310)**	**-**	**(7,300)**
Additions to non-current assets	**(214,490)**	**(434,617)**	**-**	**(649,107)**	**(597)**	**-**	**(649,704)**
Additions arising from business combination (Note 10)	**(735,394)**	**-**	**-**	**(735,394)**	**-**	**-**	**(735,394)**

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$'000*	Elimination of inter-segment finance (income)/costs *US$'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, net of tax	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**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)**	**-**
Impairment loss 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)

(b) Geographical information

(i) Revenue

In respect of terminal and related businesses, revenue is based on the geographical areas in which the business operations are located.

In respect of container leasing, management, sale and related businesses, the movements of containers and generator sets of the Group 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 financial information by geographical areas and thus the revenue of which is presented as unallocated revenue.

	2011	2010
	US$'000	*US$'000*
Terminal and related businesses		
- Mainland China (excluding Hong Kong)	**218,643**	109,208
- Europe	**101,420**	83,303
- Others	**3,268**	3,083
Unallocated	**275,828**	250,898
	599,159	446,492

2. SEGMENT INFORMATION (Continued)

(b) Geographical information (Continued)

(ii) Non-current assets

The Group's non-current assets, other than financial instruments and deferred income tax assets ("Geographical Non-Current Assets"), consist of property, plant and equipment, investment properties, land use rights, intangible assets, jointly controlled entities, associates and other non-current assets.

The containers and generator sets (included in property, plant and equipment) are primarily utilised across geographical markets for shipment of cargoes throughout the world. Accordingly, it is impractical to present the locations of the containers and generator sets by geographical areas and thus the containers and generator sets are presented as unallocated non-current assets.

In respect of the terminal non-current assets and the remaining Geographical Non-Current Assets, they are presented based on the geographical areas in which the business operations/assets are located.

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

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

	2011	2010
	US$'000	*US$'000*
Mainland China (excluding Hong Kong)	**3,724,076**	2,663,394
Europe	**196,738**	131,035
Others	**199,347**	185,591
Unallocated	**1,424,774**	1,287,092
	5,544,935	4,267,112

3. OTHER NON-CURRENT ASSETS

Other non-current assets of the Group mainly 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.

4. TRADE AND OTHER RECEIVABLES

	2011 US$'000	2010 US$'000
Trade receivables		
- third parties	**50,881**	39,571
- fellow subsidiaries	**28,870**	21,391
- jointly controlled entities	**-**	170
- related companies	**470**	483
- a non-controlling shareholder of a subsidiary	**2,809**	-
	83,030	61,615
Less: provision for impairment	**(3,446)**	(3,852)
	79,584	57,763
Other receivables, deposits and prepayments	**78,124**	67,983
Rent receivable collected on behalf of owners of managed containers	**30,594**	32,743
Current portion of finance lease receivables	**1,663**	534
Amounts due from		
- fellow subsidiaries	**197**	172
- jointly controlled entities	**46,151**	33,644
- associates	**23,665**	21,819
- a non-controlling shareholder of a subsidiary	**13**	113
	259,991	214,771

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:

	2011 US$'000	2010 US$'000
Within 30 days	**44,329**	27,517
31 - 60 days	**28,109**	23,593
61 - 90 days	**5,855**	5,504
Over 90 days	**1,291**	1,149
	79,584	57,763

5. ASSET HELD FOR SALE

	2011	2010
	US$'000	*US$'000*
A jointly controlled entity	**-**	22,078

Note:

As at 31st December 2010, the Group intended to dispose of its 50% equity interest in 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 remaining 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). The disposal was completed on 28th April 2011 with a profit after tax of US$12,557,000.

6. TRADE AND OTHER PAYABLES

	2011	2010
	US$'000	*US$'000*
Trade payables		
- third parties	**28,452**	36,298
- fellow subsidiaries	**33**	72
- a jointly controlled entity	**-**	59
- non-controlling shareholders of subsidiaries	**2,741**	1,054
- subsidiaries of an associate	**34**	2,334
- related companies	**1**	-
	31,261	39,817
Other payables and accruals	**103,055**	75,414
Payable to owners of managed containers	**37,802**	40,730
Current portion of other long term liabilities	**78**	812
Dividend payable	**37**	36
Loan from a jointly controlled entity	**23,832**	**-**
Amounts due to		
- fellow subsidiaries	**65**	11
- non-controlling shareholders of subsidiaries	**5,339**	5,521
- subsidiaries of an associate	**-**	25
- related companies	**1**	4
	201,470	162,370

The ageing analysis of the trade payables was as follows:

	2011	2010
	US$'000	*US$'000*
Within 30 days	**17,399**	36,189
31 - 60 days	**1,504**	776
61 - 90 days	**998**	138
Over 90 days	**11,360**	2,714
	31,261	39,817

7. OTHER OPERATING INCOME

	2011	2010
	US$'000	*US$'000*
Management fee and other service income	**4,405**	4,116
Exchange gain, net	**4,305**	-
Write back of provision for impairment of trade receivables	**2,208**	2,920
Revaluation surplus of investment properties	**550**	573
Profit on disposal of an available-for-sale financial asset	**-**	7,020
Profit on disposal of property, plant and equipment	**1,003**	1,969
Others	**7,977**	4,574
	20,448	21,172

8. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2011	2010
	US$'000	*US$'000*
Crediting		
Dividend income from an unlisted investment	**1,628**	1,485
Rental income from		
- investment properties	**364**	127
- buildings, leasehold land and land use rights	**1,040**	731
Profit on disposal of an available-for-sale financial asset	**-**	7,020
Profit on disposal of property, plant and equipment	**1,003**	1,969
Write back of provision for impairment of trade receivables and finance lease receivables	**2,305**	2,920
Write back of provision for inventories	**43**	-
Revaluation surplus of investment properties	**550**	573
Exchange gain, net	**4,305**	-
Charging		
Amortisation of		
- land use rights	**4,627**	2,878
- intangible assets	**1,512**	1,048
- other non-current assets (Note 3)	**1,989**	1,896
Depreciation of		
- owned property, plant and equipment leased out under operating leases	**88,191**	85,698
- other owned property, plant and equipment	**45,834**	20,301
Exchange loss, net	**-**	2,999
Loss on disposal of property, plant and equipment	**3,954**	-
Impairment loss of property, plant and equipment	**-**	1,167
Cost of inventories sold	**10,232**	25,347
Outgoings in respect of investment properties	**3**	5
Provision for inventories	**-**	1,495
Provision for impairment of trade receivables and finance lease receivables	**1,864**	2,870
Rental expense under operating leases of		
- land and buildings leased from third parties	**5,015**	1,472
- buildings leased from fellow subsidiaries	**1,429**	1,420
- buildings leased from a jointly controlled entity	**32**	33
- land use rights leased from non-controlling shareholders of subsidiaries	**1,052**	1,148
- plant and machinery leased from third parties	**584**	1,385
- containers leased from third parties	**22,376**	9,823
- Concession (Note 3)	**37,044**	31,008
Total staff costs (including directors' emoluments and retirement benefit costs)		
Wages, salaries and other benefits	**106,604**	98,960
Less: amounts capitalised in intangible assets	**(84)**	(209)
	106,520	98,751

9. FINANCE INCOME AND COSTS

	2011	2010
	US$'000	*US$'000*
Finance income		
Interest income on		
- bank balances and deposits	**3,591**	3,348
- loans to a jointly controlled entity and associates	**1,479**	3,189
	5,070	6,537
Finance costs		
Interest expenses on		
- bank loans	**(56,753)**	(26,441)
- notes wholly repayable within five years	**(9,082)**	(9,227)
- loans from non-controlling shareholders of subsidiaries	**(2,552)**	-
- loan from a jointly controlled entity	**(564)**	-
Fair value (loss)/gain on derivative financial instruments	**(5,584)**	2,976
Fair value adjustment of notes attributable to interest rate risk	**6,151**	(3,878)
	567	(902)
Amortised amount of		
- discount on issue of notes	**(159)**	(169)
- transaction costs on bank loans and notes	**(1,198)**	(1,286)
	(69,741)	(38,025)
Less: amount capitalised in construction in progress	**12,668**	9,352
	(57,073)	(28,673)
Other incidental borrowing costs and charges	**(1,346)**	(766)
	(58,419)	(29,439)
Net finance costs	**(53,349)**	(22,902)

10. BUSINESS COMBINATION

CP Nansha was a jointly controlled entity of the Group in prior year. 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 operating and financial 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. Upon the reclassification of CP Nansha as a subsidiary, the Group recorded a gain of US$11,841,000 on release of exchange reserve.

11. INCOME TAX EXPENSES

	2011 US$'000	2010 US$'000
Current income tax		
- Hong Kong profits tax	**(77)**	(86)
- China mainland taxation	**(9,853)**	(5,282)
- Overseas taxation	**(1,248)**	(1,837)
- (Under)/over provision in prior years	**(20)**	148
	(11,198)	(7,057)
Deferred income tax charge	**(17,573)**	(8,596)
	(28,771)	(15,653)

The Group's shares of income tax expenses of jointly controlled entities and associates of US$13,377,000 (2010: US$11,675,000) and US$56,864,000 (2010: US$30,333,000) are included in the Group's shares of profits less losses of jointly controlled entities and associates respectively. The deferred income tax charge mainly represents the withholding income tax in respect of the undistributed earnings for the year of the Group's subsidiaries, jointly controlled entities and associates.

Hong Kong profits tax was provided at a rate of 16.5% (2010: 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.

12. PROFIT ON DISPOSAL OF A JOINTLY CONTROLLED ENTITY, NET OF TAX

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

	2010 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

13. DIVIDENDS

	2011 *US$'000*	2010 *US$'000*
Interim dividend paid of US3.496 cents (2010: US1.759 cents) per ordinary share	**94,804**	47,696
2010 special interim dividend paid of US1.426 cents per ordinary share	**-**	38,666
Final dividend proposed of US2.240 cents (2010: US2.483 cents) per ordinary share	**60,744**	67,327
Exchange differences	**(138)**	-
Additional dividends paid on shares issued due to exercise of share options and placement of shares before the closure of register of members:		
- 2010 final	**6**	-
- 2009 final	**-**	5,424
	155,416	159,113

Note:

At a meeting held on 27th March 2012, the directors recommended the payment of a final dividend of HK17.4 cents (equivalent to US2.240 cents) per ordinary share. The dividend will be payable in cash and with a scrip dividend alternative. This proposed final 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 2012.

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.

	2011	2010
Profit from continuing operations attributable to equity holders of the Company	**US$388,771,000**	US$276,597,000
Profit from discontinued operation attributable to equity holders of the Company	**-**	US$84,710,000
	US$388,771,000	US$361,307,000
Weighted average number of ordinary shares in issue	**2,711,755,398**	2,550,377,628
Basic earnings per share		
- from continuing operations	**US14.34 cents**	US10.85 cents
- from discontinued operation	**-**	US3.32 cents
	US14.34 cents	US14.17 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.

	2011	2010
Profit from continuing operations attributable to equity holders of the Company	**US$388,771,000**	US$276,597,000
Profit from discontinued operation attributable to equity holders of the Company	**-**	US$84,710,000
	US$388,771,000	US$361,307,000
Weighted average number of ordinary shares in issue	**2,711,755,398**	2,550,377,628
Adjustments for assumed issuance of shares on exercise of dilutive share options	**546,114**	379,751
Weighted average number of ordinary shares for diluted earnings per share	**2,712,301,512**	2,550,757,379
Diluted earnings per share		
- from continuing operations	**US14.33 cents**	US10.84 cents
- from discontinued operation	**-**	US3.32 cents
	US14.33 cents	US14.16 cents

15. 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$7,500,000) 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, and has awarded to the Company and Piraeus Terminal part of the legal expenses in the amount of Euro 30,000 (equivalent to approximately US$39,000) against the plaintiff (ADK). The plaintiff has filed an appeal against the judgment of the Court of First Instance of Athens before the Court of Appeals of Athens according to Greek procedural law. The hearing of this appeal has been set to take place before the Court of Appeals of Athens on 13th November 2012. The directors and management of the Company, having taken legal advice, are of the view that the Company and Piraeus Terminal have good rebuttal to the arguments set forth in the appeal document. Nonetheless, it is still not possible to predict the final outcome of this litigation with certainty. 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 2011 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 2011 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 dividend of HK17.4 cents (2010: HK19.3 cents) per share for the year ended 31st December 2011, with an option to receive new fully paid shares in lieu of cash ("Scrip Dividend Scheme").

The proposed final dividend will be payable to shareholders whose names appear on the register of members of the Company on 28th May 2012. The Scrip Dividend Scheme is conditional upon the passing of the relevant resolution by the shareholders of the Company at the Annual General Meeting to be held on Thursday, 17th May 2012 (the "2012 AGM") and the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme. Dividend warrants and share certificates for new shares to be issued under the Scrip Dividend Scheme will be despatched by ordinary mail on or about Friday, 20th July 2012.

Details of the Scrip Dividend Scheme and the election form will be sent to shareholders on or about Tuesday, 19th June 2012.

CLOSURES OF REGISTER OF MEMBERS

(a) For determining the entitlement to attend and vote at the 2012 AGM

The 2012 AGM of the Company is scheduled to be held on Thursday, 17th May 2012. For determining the entitlement to attend and vote at the 2012 AGM, the register of members of the Company will be closed from Tuesday, 15th May 2012 to Thursday, 17th May 2012, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2012 AGM, all completed 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, 14th May 2012.

(b) For determining the entitlement to the proposed final dividend

The proposed final dividend for the year ended 31st December 2011 is subject to approval by the shareholders of the Company at the 2012 AGM. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 23rd May 2012 to Monday, 28th May 2012, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed 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 Tuesday, 22nd May 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Analysis of Results

Profit attributable to equity holders of the Group for the year of 2011 was US$388,771,000 (2010: US$361,307,000), a 7.6% increase compared with last year. Excluding non-recurring items, profit attributable to equity holders in 2011 was US$364,373,000 (2010: US$269,577,000), a 35.2% increase compared with last year. Non-recurring items include gain of US$11,841,000 on release of exchange reserve upon reclassification of Guangzhou South China Oceangate Terminal from a jointly controlled entity to a subsidiary in 2011, profit of US$12,557,000 on the disposal of Qingdao Cosport Terminal in 2011, profit of US$84,710,000 on the disposal of COSCO Logistics in 2010 and profit of US$7,020,000 on the disposal of Dalian Port Container in 2010.

Taking into account non-recurring items of the profit of US$12,557,000 on the disposal of Qingdao Cosport Terminal in 2011 and the profit of US$7,020,000 on the disposal of Dalian Port Container in 2010, profit from terminal business in 2011 was US$184,890,000 (2010: US$119,882,000), a significant increase of 54.2% compared with last year. Excluding these two non-recurring items, profit from terminal business in 2011 was US$172,333,000 (2010: US$112,862,000), representing an increase of 52.7% compared with last year. In 2011, the throughput of container terminals reached 50,695,897 TEUs (2010: 44,041,723 TEUs), a 15.1% increase compared with last year. The completion of the Group's acquisition of an approximately 10% additional equity interest in Yantian Terminal in June 2010 further intensified the growth in the profit from COSCO Pacific's terminal business. In addition, Piraeus Terminal in Greece and Guangzhou South China Oceangate Terminal, which returned to profitability in September 2010 and the first half of 2011 respectively, showed strong performance during the year, boosting the overall profit from terminal business.

With regard to container leasing, management and sale businesses, a profit of US$116,508,000 was recorded in 2011 (2010: US$96,366,000), a 20.9% increase compared with last year. As at 31st December 2011, the container fleet size increased to 1,777,792 TEUs (31st December 2010: 1,631,783 TEUs), an 8.9% increase compared with last year.

For China International Marine Containers (Group) Co., Ltd. ("CIMC"), after the rapid growth of sales in dry cargo containers and persistently high container price in the first half of 2011, demand for containers slowed down in the second half of the year. COSCO Pacific's profit attributable from CIMC was US$119,799,000 (2010: US$91,871,000) in 2011, representing a 30.4% increase compared with last year.

Financial Analysis

Revenue

Revenue of the Group in 2011 was US$599,159,000 (2010: US$446,492,000), a 34.2% increase compared with last year. The revenue was primarily derived from terminal business of US$323,339,000 (2010: US$195,594,000) and container leasing, management and sale businesses of US$276,547,000 (2010: US$250,898,000). In 2011, total revenue from terminal business rose significantly by 65.3% compared with last year, which was mainly attributable to the reclassification of Guangzhou South China Oceangate Terminal from a jointly controlled entity to a subsidiary since 1st January 2011, resulting in an increase in total terminal revenue in 2011. Throughput of Guangzhou South China Oceangate Terminal was 3,914,348 TEUs, recording a revenue of US$94,889,000 for the year. In addition, throughput of Piraeus Terminal in Greece rose to 1,188,148 TEUs (2010: 684,881 TEUs) in 2011, contributing a revenue of US$101,420,000 (2010: US$83,303,000) to the Group during the year.

Revenue from container leasing, management and sale businesses primarily included container leasing income and revenue from disposal of returned containers. As at 31st December 2011, the fleet capacity of owned containers and sale-and-leaseback containers reached 874,160 TEUs and 229,283 TEUs respectively (31st December 2010: 813,625 TEUs and 118,094 TEUs respectively). Revenue from container leasing for the year was US$246,782,000 (2010: US$207,245,000), a 19.1% increase from last year. The number of returned containers disposed of during 2011 was 9,826 TEUs (2010: 28,674 TEUs), and the revenue from sale of returned containers was US$18,245,000 (2010: US$33,895,000).

Cost of sales

Cost of sales mainly comprised depreciation charges on owned containers, net carrying amount of returned containers disposed of, container rental expenses and operating expenses of the terminal companies with controlling stakes. Cost of sales in 2011 was US$340,141,000 (2010: US$279,768,000), an increase of 21.6% compared with last year. The increase was mainly attributable to the consolidation of the cost of sales incurred by Guangzhou South China Oceangate Terminal starting from 1st January 2011. For container leasing, depreciation charges for containers were US$87,191,000 (2010: US$84,665,000) for the year. In addition, the drop in the number of returned containers sold reduced the net carrying amount of disposed returned containers to US$10,232,000 (2010: US$25,347,000).

Investment income

Investment income, comprising mainly dividend income, was US$1,992,000 (2010: US$1,612,000). The amount was primarily a dividend of US$1,628,000 declared by Tianjin Five Continents International Container Terminal Co., Ltd. in 2011 (2010: US$1,485,000).

Administrative expenses

Administrative expenses in the year were US$89,323,000 (2010: US$59,823,000), an increase of 49.3% compared with last year. The increase was mainly attributable to the consolidation of administrative expenses incurred by Guangzhou South China Oceangate Terminal during the year and an increase in the initial costs of Xiamen Ocean Gate Container Terminal Co., Ltd. ("Xiamen Ocean Gate Terminal") which is expected to commence operation in the second quarter of 2012. These caused an increase in the overall administrative expenses in 2011.

Other operating income, net

Net other operating income in 2011 was US$7,713,000 (2010: US$4,754,000), which included a net exchange gain of US$4,305,000 (2010: a net exchange loss of US$2,999,000) for the year. In addition, the subsidiaries received government subsidies in an aggregate of US$3,773,000 in 2011. On the other hand, a profit of US$7,020,000 generated from the disposal of Dalian Port Container was included in 2010. No such profit was recorded in 2011.

Finance costs

The Group's finance costs in 2011 were US$58,419,000 (2010: US$29,439,000). Finance costs included interest expenses and the amortisation of transaction costs over bank loans and notes. The increase in finance costs was primarily due to the consolidation of finance costs of Guangzhou South China Oceangate Terminal during the year. Upon the consolidation of the bank loans of Guangzhou South China Oceangate Terminal, the average balance of bank loans was US$2,076,681,000 (2010: US$1,579,766,000), a 31.5% increase compared with last year. In addition, the upward adjustment of the benchmark interest rate for RMB loans in the PRC also led to increased finance costs for the year. Excluding the interest expenses on loans from a jointly controlled entity and non-controlling shareholders of subsidiaries, the average cost of borrowing in 2011, including the amortisation of transaction costs over bank loans and notes, was 2.66% (i.e. an average 6-month LIBOR of approximately 0.52% plus 214 basis points), while that for last year was 1.86% (i.e. an average 6-month LIBOR of approximately 0.51% plus 135 basis points).

Share of profits less losses of jointly controlled entities and associates

The net profit contribution from jointly controlled entities in 2011 amounted to US$96,638,000, representing a 29.4% increase compared with US$74,654,000 last year. The increase was mainly attributable to Qingdao Qianwan Container Terminal Co., Ltd. ("Qingdao Qianwan Terminal") and the reclassification of Guangzhou South China Oceangate Terminal to a subsidiary. The throughput of Qingdao Qianwan Terminal increased to 12,426,090 TEUs (2010: 10,568,065 TEUs) in 2011, a 17.6% increase compared with last year. During the year, a share of profit from Qingdao Qianwan Terminal amounting to US$35,513,000 (2010: US$25,563,000) was recorded, representing a 38.9% increase. In addition, Guangzhou South China Oceangate Terminal was previously a jointly controlled entity of COSCO Pacific. Starting from 1st January 2011, COSCO Pacific has accounted for Guangzhou South China Oceangate Terminal as a subsidiary and consolidated to COSCO Pacific's financial statements. Accordingly, in 2011, the profit of Guangzhou South China Oceangate Terminal was not stated as share of a jointly controlled entity, while Guangzhou South China Oceangate Terminal stated as share of a jointly controlled entity recorded a loss of US$5,088,000 last year.

During the year, share of net profit from associates increased significantly to US$179,290,000, representing a 35.7% increase compared with US$132,120,000 last year. The increase was primarily contributed by CIMC and the acquisition of further interest in Yantian Terminal in 2010. 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 full-year profit from Yantian Terminal to the Group was US$51,011,000 (2010: US$30,216,000) in 2011, representing an increase of 68.8% compared with that in last year. With regard to the container manufacturing business, the sale of dry containers grew rapidly and the price was maintained at a high level in the first half of 2011. However, the demand for containers dropped in the second half of the year as the Eurozone sovereign debt crisis intensified and the shipping market was turning weak. CIMC's profit contribution to the Group was US$119,799,000 (2010: US$91,871,000) in 2011, a 30.4% increase compared with last year.

Gain on release of exchange reserve upon reclassification from a jointly controlled entity to a subsidiary

Guangzhou South China Oceangate Terminal was previously 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 Guangzhou South China Oceangate Terminal expired on 31st December 2010 and COSCO Pacific has the power to govern the operating and financial policies of Guangzhou South China Oceangate Terminal. Accordingly, the Group has accounted for Guangzhou South China Oceangate Terminal as a subsidiary from 1st January 2011. During the year, a gain of US$11,841,000 on release of exchange reserve was recorded upon reclassification from a jointly controlled entity to a subsidiary.

Profit on disposal of a jointly controlled entity, net of tax

To optimise the Group's terminal business structure, on 10th March 2011, the Group entered into an agreement with Qingdao Port Group, the remaining shareholder of Qingdao Cosport Terminal, to dispose of its 50% equity interest in Qingdao Cosport Terminal at a consideration of RMB184,000,000 (equivalent to approximately US$28,000,000). The disposal was completed on 28th April 2011, generating a profit after tax of US$12,557,000.

Income tax expenses

During the year, income tax expenses amounted to US$28,771,000 (2010: US$15,653,000). This included a provision of approximately US$20,808,000 (2010: US$12,900,000) 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 in 2010 represented 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. No such profit was recorded in 2011.

Financial Position

Cash flow

Cash inflow of the Group remained steady in 2011. During the year, net cash from operating activities amounted to US$331,933,000 (2010: US$255,702,000). The Group borrowed bank loans of US$605,318,000 (2010: US$202,401,000) and repaid US$536,866,000 (2010: US$265,153,000) in 2011.

The Group's cash outflow for the purchase of property, plant and equipment in 2011 amounted to US$666,969,000 (2010: US$375,342,000). It settled for the expansion of berths and purchase of property, plant and equipment, of which US$458,282,000 (2010: US$239,607,000) for the acquisition of containers. In addition, in 2011, the total cash outflow for capital investments of the Group amounted to US$4,689,000, mainly comprising an investment balance of US$3,974,000 in Jinjiang Pacific Ports Development Co., Ltd. ("Jinjiang Pacific Terminal") and an investment cost of US$712,000 invested in Piraeus Consolidation and Distribution Centre S.A. The total cash outflow for capital investments and shareholders' loans of the Group in 2010 amounted to US$570,871,000, mainly comprising US$520,000,000 used for the acquisition of an approximately 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., US$7,030,000 used for capital injection in Dalian Automobile Terminal Co., Ltd. ("Dalian Automobile Terminal") and US$3,352,000 used for providing a shareholders' loan to Antwerp Gateway NV.

Financing and credit facilities

Upon the consolidation of Guangzhou South China Oceangate Terminal, the total bank loans of COSCO Pacific increased to US$2,167,994,000 (31st December 2010: US$1,558,755,000) as at 31st December 2011, with a cash balance of US$581,069,000 (31st December 2010: US$524,274,000). Banking facilities available but unused amounted to US$1,041,658,000 (31st December 2010: US$1,099,127,000).

Assets and liabilities

As of 31st December 2011, the Group's total assets and total liabilities increased to US$6,472,184,000 (31st December 2010: US$5,251,917,000) and US$2,592,025,000 (31st December 2010: US$1,758,055,000) respectively as a result of the consolidation of Guangzhou South China Oceangate Terminal into COSCO Pacific during the year. Net assets were US$3,880,159,000, an increase of 11.1% as compared with that of US$3,493,862,000 as at the end of 2010. Net current assets as at 31st December 2011 amounted to US$50,698,000 (31st December 2010: US$439,366,000). As at 31st December 2011, net asset value per share of the Company was US$1.43 (31st December 2010: US$1.29), representing an increase of 10.9% compared with last year.

As at 31st December 2011, net debt-to-equity ratio was 40.9% (31st December 2010: 29.6%), and the interest coverage was 8.3 times (2010: 11.1 times, excluding profit on disposal of logistics business). As at 31st December 2011, certain of the Group's property, plant and equipment with an aggregate net book value of US$19,277,000 (31st December 2010: US$20,896,000) were pledged as securities against bank borrowings of US$130,682,000 (31st December 2010: US$64,180,000).

Debt analysis

	As at 31st December 2011		As at 31st December 2010	
	US$	**(%)**	US$	(%)
By repayment term				
Within the first year	**594,524,000**	**27.4**	169,109,000	10.8
Within the second year	**732,863,000**	**33.8**	297,490,000	19.1
Within the third year	**328,158,000**	**15.1**	668,458,000	42.9
Within the fourth year	**48,307,000**	**2.2**	173,001,000	11.1
Within the fifth year and after	**464,142,000**	**21.5**	250,697,000	16.1
	2,167,994,000 *	**100.0**	1,558,755,000 *	100.0
By category				
Secured borrowings	**130,682,000**	**6.0**	64,180,000	4.1
Unsecured borrowings	**2,037,312,000**	**94.0**	1,494,575,000	95.9
	2,167,994,000 *	**100.0**	1,558,755,000 *	100.0
By denominated currency				
US dollar borrowings	**1,175,832,000**	**54.3**	1,165,404,000	74.8
RMB borrowings	**861,480,000**	**39.7**	329,171,000	21.1
Euro borrowings	**130,682,000**	**6.0**	64,180,000	4.1
	2,167,994,000 *	**100.0**	1,558,755,000 *	100.0

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

Financial guarantee contracts

As at 31st December 2011, the Group provided guarantees on a loan facility granted to an associate of US$27,513,000 (31st December 2010: US$29,505,000).

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$7,500,000) 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, and has awarded to the Company and Piraeus Terminal part of the legal expenses in the amount of Euro 30,000 (equivalent to approximately US$39,000) against the plaintiff (ADK). The plaintiff has filed an appeal against the judgment of the Court of First Instance of Athens before the Court of Appeals of Athens according to Greek procedural law. The hearing of this appeal has been set to take place before the Court of Appeals of Athens on 13th November 2012. The directors and management of the Company, having taken legal advice, are of the view that the Company and Piraeus Terminal have good rebuttal to the arguments set forth in the appeal document. Nonetheless, it is still not possible to predict the final outcome of this litigation with certainty. 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 container leasing business are mainly denominated in US dollar, 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 2011, outstanding interest rate swap contracts comprised nominal principal amounting to US$200,000,000 (31st December 2010: 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 (31st December 2010: 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 (31st December 2010: 5.875%).

As at 31st December 2011, after adjustment of the fixed rate borrowings for the interest rate swap contracts, 4.6% (31st December 2010: 6.4%) of the Group's borrowings were fixed rate bank loans. 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.

OPERATIONAL REVIEW

Terminals

Global container port throughput maintained an upward momentum in 2011. According to a forecast by Drewry Shipping Consultants Limited ("Drewry") published in December 2011, the throughput of global container ports was expected to increase by 6.8% in 2011. The rapid growth trend of 2010 continued into the first half of 2011, with the port industry recording a satisfactory growth in throughput. Affected by the intensifying Eurozone sovereign debt crisis in the second half, however, global economic growth slowed significantly, with throughput growth experiencing a moderation in the second half. The trend of throughput growth was in line with the Group's expectation.

Statistics of throughput at Chinese ports in 2011 mirrored economic trends in Europe and the US. Statistics from the Chinese Ministry of Transport show that for 2011, throughput at China's container ports rose by 11.4% to 162,310,000 TEUs. Among the top ten container ports in Mainland China, the performances of Dalian port and Yingkou port in Bohai Rim region were outstanding. Container throughput growth at Shanghai port and Ningbo port located in Yangtze River Delta was in line with China's national average. In the Pearl River Delta, the slow economic recovery in Europe and the US had a greater impact on the Shenzhen ports, which recorded only minimal throughput growth.

The terminal business of COSCO Pacific achieved good results during the year as a result of its increased operational efficiency. We will continue to implement our business strategy and optimise our global port network to enhance the stability of our terminal business.

Increased operational leverage and outstanding profits

In 2011, the Group's terminal business recorded an annual profit of US$184,890,000 (2010: US$119,882,000), an increase of 54.2%, marking a year of very satisfactory growth.

The profit increased as a result of a 21.9% year-on-year growth in equity throughput of the Group's terminal business, as well as higher tariffs at the Group's terminals during 2011, resulting in a corresponding rise in operating profit. During the year, the profit of Qingdao Qianwan Terminal rose by 38.9% to US$35,513,000 (2010: US$25,563,000) due to an increase in operational leverage resulting from a 17.6% growth in throughput. The Group also acquired an approximately 10% additional stake in Yantian Terminal in 2010 and from June 2010 onwards, the profit of Yantian Terminal has been accounted for using the equity method. The related equity profit was fully reflected in 2011's results, amounting to US$51,011,000 (2010: US$30,216,000).

In addition, the Group's loss-making terminals made a significant turnaround in 2011. Piraeus Terminal and Guangzhou South China Oceangate Terminal returned to profitability in September 2010 and the first half of 2011 respectively. Benefitting from a strong 73.5% growth in throughput and a significant decrease in operating costs, Piraeus Terminal recorded a profit of US$6,502,000 in 2011 (2010: loss of US$10,156,000). The throughput of Guangzhou South China Oceangate Terminal rose by 27.9%, while both tariffs and the international cargo ratio increased, contributing a profit of US$3,054,000 in 2011 (2010: loss of US$5,088,000).

During the year, the Group disposed of its equity interest in Qingdao Cosport Terminal, making a profit after tax of US$12,557,000 (2010: profit on disposal of Dalian Port Container was US$7,020,000).

Ratio of terminal revenue to the Group's total revenue continued to increase

During the year, the income of COSCO Pacific's terminal business reached US$323,339,000 (2010: US$195,594,000), an increase of 65.3%. The significant increase was mainly attributable to the fact that Guangzhou South China Oceangate Terminal was reclassified from a jointly controlled entity to a subsidiary from 1st January 2011. Therefore, its income in 2011 has been accounted for as operating income of our terminal business. As a result, terminal revenue as a proportion of the Group's total revenue rose to 54.0% (2010: 43.8%).

COSCO Pacific achieved 8.8% share of the global container port market and consolidated its position as the world's fifth largest container terminal operator

According to Drewry's "Global Container Terminal Operators Annual Review and Forecast" in August 2011, COSCO Pacific remained the world's fifth largest container terminal operator, with an 8.8% global market share and a 1.9 percentage points year-on-year increase in market share, the strongest growth among the top ten operators. This result reflects the Group's strategy of increasing global market share in the past five years to consolidate its leading position through acquiring controlling stakes in new terminal investment projects. This has enhanced the terminal business' contribution to the Group, enabling it to generate continuous high revenue growth and grow equity throughput at a faster pace than total throughput.

Our growth outperformed the average growth rate of Chinese ports

Following the rapid growth in the first half of 2011, the growth in our container throughput slowed in the second half of the year. However, our overall throughput growth remained steady and total container throughput increased 15.1% in 2011, reaching 50,695,897 TEUs (2010: 44,041,723 TEUs). Our terminal companies in China (excluding Hong Kong) handled 42,360,271 TEUs (2010: 37,076,892 TEUs), a 14.2% increase, outperforming the national average growth rate of 11.4%. The rapid throughput growth of Piraeus Terminal and Guangzhou South China Oceangate Terminal as well as the Group's increase its shareholding in Yantian Terminal by approximately 10% in June 2010 drove equity throughput growth up by 21.9% to 13,744,329 TEUs (2010: 11,274,744 TEUs).

Outstanding performance from overseas terminals and superior performance from Bohai Rim terminals

The throughput of the Bohai Rim region was 19,080,645 TEUs (2010: 15,925,584 TEUs), an increase of 19.8%, representing 37.7% of the Group's total throughput. The performance was better than for the Yangtze River Delta and Pearl River Delta and growth was mainly driven by Qingdao Qianwan Terminal and Tianjin Euroasia International Container Terminal Co., Ltd. ("Tianjin Euroasia Terminal"). During the year, a number of new shipping routes commenced, helping the throughput of Qingdao Qianwan Terminal to increase by 17.6%. Tianjin Euroasia Terminal started operation in July 2010 and hence contributed full-year throughput in 2011.

The throughput of the Yangtze River Delta accounted for 15.0% of total throughput, reaching 7,599,938 TEUs (2010: 6,592,455 TEUs), an increase of 15.3%. The growth was mainly driven by Ningbo Yuan Dong Terminal Limited ("Ningbo Yuan Dong Terminal"). During the year, cargo volume from customers increased, resulting from an increase in operational efficiency, contributing to a 25.9% increase in throughput.

The combined throughput of the Pearl River Delta and Southeast Coast represented 34.1% of total throughput, reaching 17,305,507 TEUs (2010: 16,094,776 TEUs), an increase of 7.5%. Guangzhou South China Oceangate Terminal experienced a marked increase in throughput of 27.9%. The terminal's major customer, Maersk Line, increased shipping routes to this terminal.

The throughput of overseas terminals accounted for 13.2% of total throughput, reaching 6,709,807 TEUs (2010: 5,428,908 TEUs), an increase of 23.6%. Piraeus Terminal handled 1,188,148 TEUs (2010: 684,881 TEUs), an increase of 73.5%. With an increase in calls at the terminal by a major customer from May 2011 and another shipping company starting to call from October 2011, the terminal's transhipment cargo volume has increased significantly.

Throughput of terminals

Terminal companies	2011 (TEUs)	2010 (TEUs)	y-o-y change (%)
Bohai Rim	**19,080,645**	**15,925,584** Note 2	**+19.8%**
Qingdao Qianwan Container Terminal Co., Ltd. Note 1	12,426,090	10,568,065	+17.6%
Dalian Port Container Terminal Co., Ltd.	1,900,204	1,668,418	+13.9%
Tianjin Five Continents International Container Terminal Co., Ltd.	2,100,321	1,917,873	+9.5%
Tianjin Port Euroasia International Container Terminal Co., Ltd.	1,350,962	574,296	+135.2%
Yingkou Container Terminals Company Limited	1,303,068	1,196,932	+8.9%
Yangtze River Delta	**7,599,938**	**6,592,455** Note 2	**+15.3%**
Shanghai Pudong International Container Terminals Limited	2,388,156	2,450,176	-2.5%
Ningbo Yuan Dong Terminals Limited	2,145,653	1,704,588	+25.9%
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	1,065,382	889,515	+19.8%
Yangzhou Yuanyang International Ports Co., Ltd.	400,224	302,617	+32.3%
Nanjing Port Longtan Container Co., Ltd.	1,600,523	1,245,559	+28.5%
Pearl River Delta and Southeast Coast	**17,305,507**	**16,094,776**	**+7.5%**
COSCO-HIT Terminals (Hong Kong) Limited	1,625,819	1,535,923	+5.9%
Yantian International Container Terminals Co., Ltd.	10,264,440	10,133,967	+1.3%
Guangzhou South China Oceangate Container Terminal Company Limited	3,914,348	3,060,591	+27.9%
Quan Zhou Pacific Container Terminal Co., Ltd.	1,186,799	1,050,710	+13.0%
Jinjiang Pacific Ports Development Co., Ltd.	314,101	313,585	+0.2%
Overseas	**6,709,807**	**5,428,908**	**+23.6%**
Piraeus Container Terminal S.A.	1,188,148	684,881	+73.5%
Suez Canal Container Terminal S.A.E.	3,246,467	2,856,854	+13.6%
COSCO-PSA Terminal Private Limited	1,106,262	1,091,639	+1.3%
Antwerp Gateway NV	1,168,930	795,534	+46.9%
Total container throughput in China	**43,986,090**	**38,612,815** Note 2	**+13.9%**
Total container throughput	**50,695,897**	**44,041,723** Note 2	**+15.1%**

Note 1: Throughput of Qingdao Qianwan Terminal includes the throughput of Qingdao Qianwan United Container Terminal Co., Ltd. ("Qingdao Qianwan United Terminal") and Qingdao Qianwan United Advance Container Terminal Co., Ltd. ("Qingdao Qianwan United Advance Terminal") and these two terminals are jointly controlled entities of Qingdao Qianwan Terminal. The throughput of Qingdao Qianwan United Terminal was 1,748,450 TEUs in 2011. Qingdao Qianwan United Advance Terminal started operation in July 2011 and its throughput in 2011 was 324,446 TEUs.

Note 2: The throughput of 2010 does not include the throughput of Qingdao Cosport Terminal and Shanghai Terminal. The Group disposed of its 50% interest in Qingdao Cosport Terminal on 28th April 2011. Hutchison Ports Shanghai Limited ("Hutchison Ports Shanghai"), in which the Group owns an interest, jointly operates Shanghai Terminal with Shanghai International Port (Group) Co., Ltd. ("Shanghai Port Group"). The Group has a 10% effective interest in Shanghai Terminal with ten container berths of 3,700,000 TEUs annual handling capacity. Starting from January 2011, Shanghai Terminal made a strategic change in its business model and ceased handling containers. Hutchison Ports Shanghai is leading the discussions on the issue with Shanghai Port Group, which are still in-progress. The throughput of the two terminals in 2010 amounted to 1,284,903 TEUs and 3,197,244 TEUs respectively.

Note 3: The total throughput of break-bulk cargo in 2011 was 25,285,695 tonnes (2010: 23,606,588 tonnes), an increase of 7.1%. The throughput of Dalian Automobile Terminal reached 176,624 vehicles (2010: 121,887 vehicles), an increase of 44.9%.

Optimised port network and enhanced profitability

As of 31st December 2011, there were 93 berths (2010: 97) under the Group's operating container terminals and the annual handling capacity was 55,450,000 TEUs (2010: 55,497,500 TEUs). There were eight break-bulk berths (2010: 8), with a total annual handling capacity of 9,050,000 tonnes (2010: 9,050,000 tonnes).

During the year, the Group further strengthened the earning power of the terminal portfolio. The Group disposed of its 50% interest in Qingdao Cosport Terminal, a relatively low yielding asset, to Qingdao Port Group, the remaining shareholder, for a total consideration of RMB184,000,000 (equivalent to approximately US$28,000,000), yielding a profit after tax of US$12,557,000. The terminal has one container berth with an annual handling capacity of 600,000 TEUs.

In 2011, seven new berths were added with a total annual handling capacity of 4,252,500 TEUs. The new berths in operation include two at Qingdao Qianwan United Terminal with 1,040,000 TEUs annual handling capacity, two at Qingdao Qianwan United Advance Terminal providing 1,300,000 TEUs annual handling capacity and three at Suez Canal Container Terminal S.A.E. providing 1,912,500 TEUs annual handling capacity.

During the year, in addition to the disposal of the equity interest in Qingdao Cosport Terminal, Shanghai Terminal stopped handling containers from January 2011. These two terminals together had 11 berths with 4,300,000 TEUs annual handling capacity.

Growing handling capacity and upgrading of facilities drive business growth

The Group has been acquiring terminal assets and expanding its existing terminals to increase handling capacity. At the same time, we have upgraded the infrastructure of our terminals to boost efficiency. This has strengthened our competitiveness and given momentum to our business growth.

The Group estimates that additional annual handling capacity provided by its new operations in 2012 will reach 5,150,000 TEUs. The new capacity will come from Dalian Port Container Terminal Co., Ltd. ("Dalian Port Terminal") (850,000 TEUs), Xiamen Ocean Gate Terminal (1,400,000 TEUs), upgrading of Pier 2 at Piraeus Terminal (1,000,000 TEUs), Jinjiang Pacific Terminal (500,000 TEUs), Yangzhou Yuanyang International Ports Co., Ltd. (200,000 TEUs) and Ningbo Yuan Dong Terminal (1,200,000 TEUs).

Xiamen Ocean Gate Terminal started trial operation in the end of November 2011 and is expected to start formal operation in the second quarter of 2012. In addition, in the second quarter of 2012, the new berth at Dalian Port Terminal will also commence operation and the upgrading of Pier 2 at Piraeus Terminal will be completed. The other new berths will be put into operation in the second half of 2012.

Container Leasing, Management and Sale

Continuing on from the strong demand of 2010, the leasing market for containers developed well in the first half of 2011. The demand for container leasing services was so high that most container lines had confirmed full-year container leasing plans during the first quarter.

Affected by the intensifying Eurozone sovereign debt crisis in the second half of 2011, global economic growth slowed significantly and demand slackened in the second half, leading to a corresponding downturn for the container leasing industry.

Increase in on hire containers contributed to profit growth

The Group's container leasing, management and sale businesses, operated and managed by Florens Container Holdings Limited and its subsidiaries ("Florens"), had a satisfactory performance in 2011. Profits increased by 20.9% to US$116,508,000 (2010: US$96,366,000), driven by the growth in the size of the Group's container fleet during the year and an increase in the number of containers on hire.

The Group's container leasing business maintains an optimal balance of leases, with containers leased mainly on a long-term basis so as to maintain a relatively high utilisation rate and provide a stable source of income. Long-term leases accounted for 93.8% (2010: 92.7%) of the total revenue of the container leasing in 2011 while revenue from master leases accounted for 6.2% (2010: 7.3%).

The overall average utilisation rate of the Group's containers in 2011 was 96.1% (2010: 97.3%), which was slightly higher than the industry average of approximately 95.0% (2010: around 95.0%).

Benefitting from satisfactory leasing revenue, businesses recorded steady growth

In 2011, revenue from the Group's container leasing, management and sale businesses reached US$276,547,000 (2010: US$250,898,000), representing an increase of 10.2%. The growth was mainly attributable to increased revenue from container leasing.

Revenue from container leasing was US$246,782,000 (2010: US$207,245,000), representing an increase of 19.1%. Revenue from container leasing represented 89.2% (2010: 82.6%) of the total revenue of the container leasing, management and sale businesses. The fleet size of owned containers and sale-and-leaseback containers increased by 18.4% to 1,103,443 TEUs (2010: 931,719 TEUs), driving the growth of revenue from container leasing.

Revenue from managed containers increased 10.3% to US$8,181,000 (2010: US$7,416,000), representing 3.0% (2010: 3.0%) of the total revenue. Although the fleet size of managed containers fell 3.7% to 674,349 TEUs (2010: 700,064 TEUs), the net operating income increased as a result of a decrease in the operating expense of managed containers.

Revenue from the disposal of returned containers declined by 46.2% to US$18,245,000 (2010: US$33,895,000), representing 6.6% (2010: 13.5%) of the total revenue. The decrease in revenue from the sale business was mainly due to a decrease in the number of disposed returned containers to 9,826 TEUs (2010: 28,674 TEUs).

Expanding container fleet to drive business growth

As of 31st December 2011, the Group's container fleet had reached 1,777,792 TEUs (2010: 1,631,783 TEUs), representing an 8.9% increase. The Group remained the world's third largest container leasing company, with a market share of approximately 12.5% (2010: approximately 13.0%). The average age of container fleet was 5.89 years (2010: 5.36 years).

During the year, the Group ordered 118,755 TEUs of new containers (2010: 111,625 TEUs). Among these, 56,050 TEUs were purchased for COSCO Container Lines Company Limited ("COSCON") (2010: 14,900 TEUs), accounting for 47.2% (2010: 13.3%) of the total new containers, while 62,705 TEUs were for international customers (2010: 96,725 TEUs), representing 52.8% (2010: 86.7%) of the total new containers. The capital expenditure for the purchase of new containers was US$315,788,000 (2010: US$250,364,000).

In addition, Florens signed purchase and leaseback contracts with two shipping companies in the second half of 2011. Under these contracts, the Group purchased their owned containers and leased them back to the companies. The container fleet size amounted to 66,476 TEUs, involving a total investment of

US$117,108,000. The objective of this transaction was to expand our container fleet size and market share, and most importantly to increase rental income and secure stable returns.

During the year, the number of old containers returned from COSCON upon expiry of 10-year leases was 7,335 TEUs (2010: 40,992 TEUs).

A balanced development of container leasing, management and sale businesses

While expanding its container fleet, the Group is ensuring a balanced development of the container leasing, management and sale businesses to lower investment risk.

In May 2011, the Group completed the sale of 111,189 TEUs of containers to a jointly controlled entity of ING Bank and DBS Bank for a consideration equivalent to the net book value at the date of disposal. The containers were leased back to COSCON upon completion of the transaction.

The cash consideration of the disposal of these containers was US$198,000,000. The transaction increased the Group's cash flow and allowed the Group to reduce its gearing ratio. In addition, leasing back the containers enabled the Group to retain commercial control over the containers and sub-lease to its customer, with the Group retaining the profit from the sub-lease over the lease term.

As a result of these actions, the Group's container fleet mix has seen adjustments during the year. The owned container fleet reached 874,160 TEUs (2010: 813,625 TEUs), which represented 49.2% (2010: 49.8%) of the total container fleet. The sale-and-leaseback container fleet size amounted to 229,283 TEUs (2010: 118,094 TEUs), which represented 12.9% (2010: 7.3%) of the total container fleet size. The managed container fleet size amounted to 674,349 TEUs (2010: 700,064 TEUs), representing 37.9% (2010: 42.9%) of the total fleet size.

Classified by customer, COSCON leased 547,077 TEUs (2010: 499,106 TEUs), while international customers took up 1,230,715 TEUs (2010: 1,132,677 TEUs), which represented 30.8% (2010: 30.6%) and 69.2% (2010: 69.4%) of the total fleet size respectively.

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

As at 31st December	**Leasing Customers**	**2011 (TEUs)**	2010 (TEUs)	**y-o-y change (%)**
Owned Containers	COSCON	**317,794**	381,012	**-16.6**
Owned Containers	International customers	**556,366**	432,613	**+28.6**
Sale-and-leaseback Containers	COSCON	**229,283**	118,094	**+94.2**
Managed Containers	International customers	**674,349**	700,064	**-3.7**
Total		**1,777,792**	1,631,783	**+8.9**

As at 31st December	**Leasing Customers**	**2011 % of total**	2010 % of total	**y-o-y change (pp)**
Owned Containers	COSCON	**17.9**	23.3	**-5.4**
Owned Containers	International customers	**31.3**	26.5	**+4.8**
Sale-and-leaseback Containers	COSCON	**12.9**	7.3	**+5.6**
Managed Containers	International customers	**37.9**	42.9	**-5.0**
Total		**100.0**	100.0	**-**

Container Manufacturing

The demand for new dry containers was very strong in the first half of 2011 and most of the container shipping lines have confirmed their container purchase and leasing plans for the year. In the first half of 2011, the sale of dry containers grew rapidly and the price was maintained at a high level. However, the demand for containers dropped in the second half of the year as the Eurozone sovereign debt crisis intensified and the shipping market was turning weak.

The Group holds a 21.8% equity stake in CIMC, the world’s largest container manufacturer. Although the demand for containers slowed down in the second half of the year, contributed by the stability in CIMC’s vehicles business and the sustainable growth in its energy, chemical and liquid food equipment manufacturing businesses, the overall performance of CIMC was satisfactory in 2011. CIMC’s profit contribution to the Group increased by 30.4% to US$119,799,000 (2010: US$91,871,000) in 2011.

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 2011, 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. XU Lirong, former Chairman of the Board, was unable to attend the Annual General Meeting of the Company held on 16th May 2011. 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 2011.

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 the Executive Committee, the Nomination Committee, the Investment and Strategic Planning Committee, the Corporate Governance Committee and the 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 2011.

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 acclaimed externally and in 2011, our high level of corporate transparency and good corporate governance continued to earn market recognition.

- "Best Investor Relations in Transport Sector" and "Best Overall Investor Relations by a Hong Kong Company" by IR magazine;
- "The Asset Corporate Gold Award for Environmental Responsibility and Investor Relations" by The Asset magazine;
- "Corporate Governance Asia Recognition Award" for the fifth consecutive year and "Best Investor Relations Company" in the 2nd Asian Excellence Recognition Award from Corporate Governance Asia magazine;
- The 2010 annual report of the Company earned a citation for corporate governance disclosure from the Hong Kong Management Association;
- "Hong Kong Outstanding Enterprise" by Economist Digest magazine for the seventh consecutive year;
- "The Most Potential Company Award" by Capital and Capital Weekly;
- "Foreign Company In-House Team of the Year" by Asian Legal Business, a well recognised professional magazine, for the second consecutive year; and
- "COSCO Pacific's take-over of wholly owned terminal operation of Pier 2 at Piraeus Port in Greece" was selected as model case of China overseas investment at the China Overseas Investment Summit jointly hosted by China Central Television's finance channel and the Hong Kong Chinese Chamber of Commerce.

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 508 investors and related personnel, 50% of which were fund managers, 21% of which were analysts, 19% of which were investment bankers and 10% were media representatives. Besides, the Company arranged 10 road shows and organised 6 visits to its terminals for investors.

CORPORATE SUSTAINABLE DEVELOPMENT

Environmental Protection

COSCO Pacific upholds measures and policies to protect and improve the environment. We have taken into account environmental protection during the course of our business development. We are committed to implementing environmental management both in business operation and in employee activities, with a view to minimising the impact of our daily operation on the environment. The Group continues to support the efforts of its subsidiaries to promote energy conservation and emission reduction as well as environmental protection.

Caring for the Community

The Company is committed to embracing its corporate citizenship through active participation in social welfare and community services, producing a positive impact on the communities it operates in. The Group and its subsidiaries in different regions also care for and assist in the affairs of local communities through various means.

Employee-Oriented Philosophy

COSCO Pacific believes that employees are its most valuable asset and is committed to building a team of dedicated staff in pursuit of excellence. The expansion of the Group's businesses translates into valuable and sustainable career development opportunities for its employees. The Group is committed to creating a harmonious working environment, arranges a wide range of training programmes designed to enhance the management skills and professionalism of its management team and staff. In 2011, the Group organised various recreational activities to enrich the life of its staff during leisure time and to enhance their team spirit, passion and sense of belonging to the Company. The Group has also focused on improving its incentive scheme and has implemented an internal job rotation scheme to bring the potential of its staff members into full play. The Group has optimised its staff assessment system and promotes the integration of different cultures. The successful operation of Piraeus Terminal in Greece is a result of joint efforts of staff in China and Greece.

Occupational Health and Safety

The Group is committed to providing employees with a safe working environment. In addition to promoting the awareness of occupational health and safety among its employees, the Group has established a safety management system and allocated resources to provide frontline staff with adequate safety protection.

Integrate Corporate Sustainability into the Management Philosophy

In 2011, the Company has assessed its Environmental, Social and Governance (ESG) performance. It has set itself the goal to enhance disclosure of environmental impacts, community involvement and corporate governance. For this purpose, the Company has engaged the Business Environment Council Limited ("BEC") to provide it with an objective assessment of current performance as well as strategic advice on how to improve the integration of ESG into its business operations. The Company is keen to meet the information requirements of our ESG investors and aims to further enhance the sustainability of its businesses in the coming years.

As remarked by BEC, the Company is taking a proactive approach in identifying strategies to enhance its corporate sustainability performance and is undertaking more on the sustainability front than it regularly discloses. The Company has shown commitment towards operational efficiencies, in many cases minimising the environmental impact of its businesses and implementing best practice in health and safety aspects.

PROSPECTS

The Group's terminal investment strategy is focused on maintaining a balanced geographical distribution of terminals. We have been investing in ports in China and expanding the port network overseas. In addition, the Group invests not only in international hub ports along the coast of China, but allocates resources to feeder ports in China that handle domestic and overseas trade. The Group's terminal portfolio currently covers the four largest port regions in China and overseas hub ports, resulting in an optimised and diversified terminal portfolio that reduces investment risk. A balanced geographical distribution will also help the Group withstand economic uncertainties and lend relative stability to its operations.

Affected by the slowdown in global economic growth, throughput growth at the Group's terminal business slackened in the second half of 2011. The Eurozone sovereign debt crisis has made global economic prospect still uncertain. According to a forecast by Drewry in December 2011, global port throughput growth in 2012 is expected to decrease by 1.3 percentage points to 5.5%. The Group expects to see a slowdown of throughput growth in 2012 compared to 2011 for its terminal business.

In 2011, strong growth in throughput resulting from new shipping routes and new customers drove the income and profit growth at Piraeus Terminal and Guangzhou South China Oceangate Terminal. It is expected that these two terminals will continue to record strong throughput growth in 2012 and drive the growth in the Group's total throughput and equity throughput.

According to a forecast made in February 2012 by Clarkson Research Services Limited ("Clarkson"), the global shipping capacity will increase by about 1,300,000 TEUs in 2012. The addition of new vessels and the replacement of old containers will generate considerable demand for new containers. In addition, Clarkson estimated 7.7% growth in global container traffic in 2012 and the Group has a cautiously optimistic outlook for the container leasing business.

The majority of containers purchased in 2011 has been leased on long-term leases and will drive container leasing income growth in 2012. In addition, most of the new containers were leased out at relatively high rental rates in the first quarter of 2011, with a satisfactory rental yield. Furthermore, since the income of long-term leases accounted for 93.8% of the total revenue from container leasing, rental income is forecast to grow steadily in 2012.

Although uncertainties still exist in the global economy, the Group will continue to benefit from its business portfolio, which meets the basic needs of customers. The Group will continue to adopt a prudent business strategy, strictly control operating costs, maintain a close focus on risk management and take precautionary measures as necessary in order to ensure the sustainable development of its businesses.

MEMBERS OF THE BOARD

As at the date of this announcement, the Board comprises Mr. LI Yunpeng[2] (Chairman), Dr. WANG Xingru[1] (Vice Chairman and Managing Director), Mr. WAN Min[2], Mr. HE Jiale[1], Mr. FENG Bo[1], Mr. FENG Jinhua[1], Mr. WANG Haimin[2], Mr. WANG Wei[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
WANG Xingru
Vice Chairman & Managing Director

Hong Kong, 27th March 2012