VICE CHAIRMAN'S REPORT

It was my honour to be appointed by the Board of Directors as Vice Chairman and Managing Director of COSCO Pacific on 11th July 2011.

The global terminal and container leasing industries were strong in the first half of 2011, but the second half was weaker as the operating environment for the shipping and related industries deteriorated sharply. Thanks to the unrelenting efforts of our colleagues, however, the Group nonetheless managed to achieve a satisfactory performance, with a meaningful contribution to shareholders of the Company and a solid foundation laid for future development.

Terminals with controlling stakes outperformed the competition

Piraeus Terminal, a wholly owned subsidiary of the Group, returned to profitability through strong marketing and internal management in 2011. Container throughput at the terminal rose significantly, by 73.5% year-on-year to 1,188,148 TEUs. Guangzhou South China Oceangate Terminal increased its market share in the Pearl River Delta, demonstrating the competitive advantage of its hinterland. Container throughput rose significantly by 27.9% to 3,914,348 TEUs in 2011, whilst the proportion of

"IN 2012, THE GROUP WILL BUILD ON THIS FOUNDATION TO STRENGTHEN ITS INTEGRATED MARKETING CAPABILITY SO AS TO CREATE SYNERGIES AMONG INTERNAL AND EXTERNAL RESOURCES, ENHANCE THE COMPETITIVE ADVANTAGE OF THE SUPPLY CHAIN AND ULTIMATELY, ENSURE STEADY BUSINESS GROWTH."

Terminal revenue accounted for

54.0%

of the Group's total revenue, an increase of 10.2 percentage points

Piraeus Terminal returned to profitability with a strong throughput growth of

73.5%

Results Highlights

	2011	2010	Year-on-year change
	US$	US$	%
Revenue	599,159,000	446,492,000	+34.2
Operating profit before finance income and finance costs	179,400,000	113,267,000	+58.4
Profit attributable to equity holders of the Company (excluding non-recurring items)	364,373,000	269,577,000	+35.2
Profit attributable to equity holders of the Company	388,771,000	361,307,000	+7.6
Basic earnings per share (excluding non-recurring items)	US13.44cents	US10.57cents	+27.2
Basic earnings per share	US14.34cents	US14.17cents	+1.2
Dividend per share	US5.736cents	US5.668cents	+1.2

international cargo increased by 10.2 percentage points to 48.0%. Driven by the revenue growth at these two terminals, the terminal revenue of the Group increased by 65.3% in 2011 to US$323,339,000, accounting for 54.0% of the Group's total revenue, an increase of 10.2 percentage points over last year. We expect throughput at these two terminals to maintain satisfactory growth in 2012 and to remain the key drivers for terminal revenue.

COSCO Pacific continued to

WIN

corresponding market recognition and awards including "The Asset Corporate Gold Award for Environmental Responsibility and Investor Relations" given by *The Asset* and "Corporate Governance Asia Recognition Award" from *Corporate Governance* Asia magazine.

Throughput and operating results of the terminals with controlling stakes, namely Quan Zhou Pacific Terminal, Yangzhou Yuanyang Terminal, Jinjiang Pacific Terminal and Zhangjiagang Terminal, maintained steady growth. Xiamen Ocean Gate Terminal commenced trial operation on 28th November 2011.

Driven by the fast growing business development of terminals in which we own a controlling shareholding, the Group's equity throughput increased 21.9% to 13,744,329 TEUs.

Leasing business' "Blue Ocean" strategy achieved initial success

Florens is an integral part of the Group's business. Through continuous innovative changes, Florens' leasing business has actively sought "Blue Ocean" investment opportunities in the competitive container leasing market. Given the somewhat depressed state of the container shipping market in the second half of 2011, Florens utilised its diversified product mix to provide tailor-made container leasing services to customers. During the year, the Group also signed purchase and leaseback agreements with two major shipping lines. These transactions further expanded the Group's container fleet size and its market share, as well as increasing revenue and contributing stable returns to the Group.

Continuously enhancing our brand and corporate image

COSCO Pacific makes unremitting efforts with regard to corporate governance and investor relations, with the result that during 2011 we continued to win corresponding market recognition and awards. These included "The Asset Corporate Gold Award for Environmental Responsibility and Investor Relations" given by *The Asset*, one of Asia's financial magazines, "Best Investor Relations in Transport Sector" and "Best Overall Investor Relations by a Hong Kong Company" from *IR* magazine, the "Corporate Governance Asia Recognition Award" and "Best Investor Relations Company" from *Corporate Governance Asia* magazine. We were named "Hong Kong Outstanding Enterprise" by *Economist Digest* magazine, awarded "The Most Potential Company Award" by Hong Kong financial magazines *Capital* and *Capital Weekly*, and "Foreign Company In-House Team of the Year" by *Asian Legal Business,* a recognised professional magazine. COSCO Pacific's 2010 annual report earned a "Citation for Corporate Governance Disclosure" from the Hong Kong Management Association. In addition, the Group's take-over of the wholly owned terminal operation of Pier 2 at Port of Piraeus in Greece was selected as the model case of Overseas Investment of Chinese Enterprises by China Central Television's finance channel and the Hong Kong Chinese Chamber of Commerce.

Continuous enhancement of our brand and corporate image has helped win goodwill and attract better financing terms in the capital markets, thus minimising financing costs and ensuring sustainable funding. It has also provided the Group with more favourable conditions for exploring market opportunities and for attracting high quality customers.

> "WE HAVE A STRONG CAPACITY TO WITHSTAND RISK, SINCE PROFIT GENERATED FROM OUR TERMINAL BUSINESS HAS GEOGRAPHICAL ADVANTAGES AND HENCE CAN SECURE STABLE SOURCES OF CARGO. IN ADDITION, OUR CONTAINER LEASING INCOME IS LARGELY GUARANTEED, SINCE 93.8% DERIVES FROM LONG-TERM LEASES."

The global economy and business outlook in 2012

The year 2012 will present challenges and opportunities. The global economy will enter a period of low growth due to the economic downturn in the Eurozone and slowing growth in many other regions. According to a forecast by the IMF made in January 2012, GDP growth for the developed economies will decline to 1.2% in 2012 from 1.6% in 2011, whilst that of emerging and developing economies will decrease to 5.4% in 2012 from 6.2% in 2011. Downside risks for the global economy have increased, the report noted.

The Chinese economy will be subject to structural adjustment and macroeconomic policy is now targeting "stable growth". Although China's 2012 GDP growth target was adjusted to 7.5%, the adjustment is modest and the growth target is still relatively high. On the other hand, the US has been striving to recover its manufacturing competitiveness and increase exports in order to stimulate its economic growth. This policy has achieved initial success, with US export trade recording an increase of 14.5% in 2011, a trend we believe will continue in 2012. The Eurozone's economy and trade, however, are likely to remain sluggish for a prolonged period as a result of the debt crisis.

Shipping companies face significant operational challenges arising from the imbalance between supply and demand in the shipping market. This will inevitably exert pressure on our businesses, but we have a strong capacity to withstand this risk, since profit generated from our terminal business derives principally from regions within China. These terminals have geographical advantages as they are located at major ports in China and hence can secure stable sources of cargo. In addition, our container leasing income is largely guaranteed, since 93.8% derives from long-term leases.

We remain cautiously optimistic regarding the prospects for the container leasing market. According to forecasts given by shipping information provider Clarkson Research Services Limited ("Clarkson") in February 2012, global container traffic will increase by 7.7% year-on-year to 163,000,000 TEUs in 2012. This will relieve the pressure arising from capacity growth in the shipping industry. Meanwhile, the expected global demand for new containers will be over 2,600,000 TEUs in 2012. We therefore expected a rebound in demand for containers from shipping companies.

Operating strategy in 2012: one core principle with enhancement in four areas

Core principle: Eye on the Market

Marketing is at the heart of any business and the pre-condition for a company's survival. It is also a yardstick by which to measure a company's core competence. In 2011, COSCO Pacific established a marketing headquarters to support and expand the marketing outreach programmes for our terminal and leasing businesses. The initiative has been proven effective and in 2012, the Group will build on this foundation to strengthen its integrated marketing capability so as to create synergies among internal and external resources, enhance the competitive advantage of the supply chain and ultimately, ensure steady business growth.

Implement proactive strategic planning

2012 is a critical year during which we will fine-tune our strategy for future development. The Group will draw on resources to speed up its asset re-structuring, with reference to the Central Government's "Twelfth Five-year Plan", and focus on efforts to build up the "COSCO Ports" brand.

Improve the profitability of terminals with controlling stakes

The Group will continue to improve the profitability of those terminals in which it has controlling stakes. We will provide greater support for these terminals in the areas of investment, funding, talent and incentives, to create a positive interaction between head office and the terminal operations. Our aim in so doing is to help nurture these assets towards becoming major profit contributors for our terminal business.

As part of our efforts, we are promoting the constructive sharing of resources, including the integration of the terminals along the Yangtze River, to generate synergies. Moreover, given the rise in domestic demand in China, the Group will continue to expand its customer base to increase its sourcing of domestic cargo and to grow revenue by raising the throughput of bulk goods while maintaining a stable volume of container throughput.

Innovative development of the container leasing business

Leasing is a key component of our business. In order to expand our container leasing business, we will continue to study the container leasing market, to capture the timing of new vessel launches and potential increases in container leasing by shipping companies during the expected downturn in the shipping market. Meanwhile, we will promote the implementation of our "Blue Ocean" strategy, to increase the number of purchase and leaseback transactions we engage in with large shipping companies.

Refinement of overall management

The Group is striving to transform itself from an investment-focused to an operation-focused enterprise. We will continue to improve our operational management systems, and put greater emphasis on improving our human resources management, financial management, corporate governance, risk management and safety management. By living our corporate citizenship goals, we will promote sustainable growth within the Group.

We are deeply aware of the importance of corporate citizenship in this period of uncertainty in the global economy and capital markets. To ensure the sustainable development of the Group, more resources will be deployed in the areas of corporate governance, transparency, environmental protection, the rights of staff and stakeholders, and the well-being of the communities in which we operate. To this end, in July 2011 COSCO Pacific appointed the Business Environment Council in Hong Kong to carry out an evaluation and analysis of the Group's sustainable development. After completing on-site studies and questionnaire surveys at COSCO Pacific and its subsidiaries, the Council will present a proposal to the Group containing measures designed to ensure sustainable growth.

Finally, I would like to take this opportunity to thank our shareholders for their trust towards us, as well as COSCO, China COSCO and our sister companies, our business partners and other stakeholders for their support. I firmly believe that with the guidance of the Board of Directors and the continued efforts of our colleagues, COSCO Pacific will develop its business further and deliver improved returns to shareholders.

WANG Xingru
Vice Chairman and Managing Director

27th March 2012