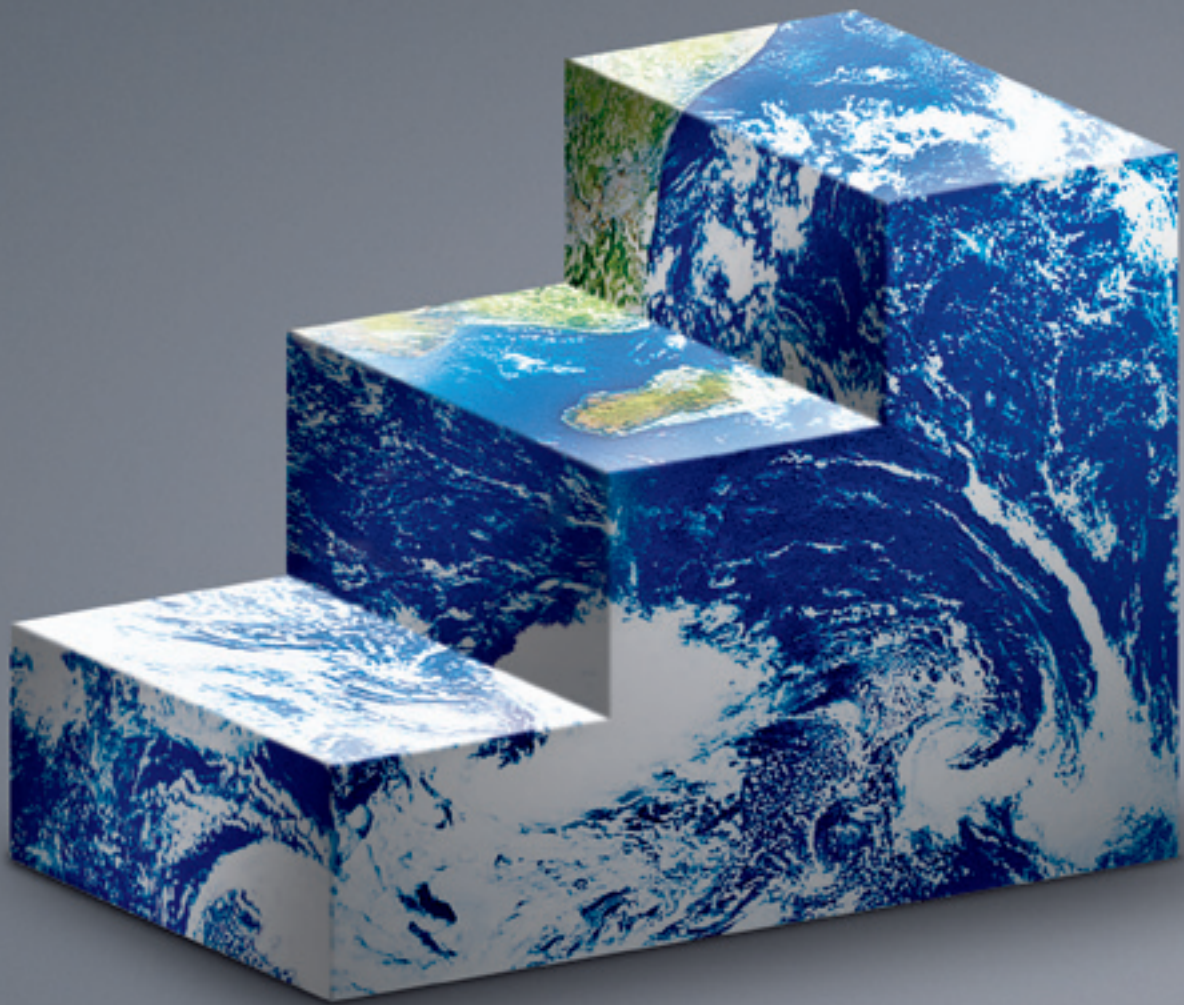

MANAGEMENT EXCELLENCE ENHANCED PROFITABILITY



Profit from the terminal business increased by 54.2% with an increase of 21.9% in equity throughput.


Profit from the container leasing, management and sale businesses rose 20.9% and container fleet capacity was up 8.9%.








Equity
throughput
increased by



21.9%

Revenue
increased by



65.3%

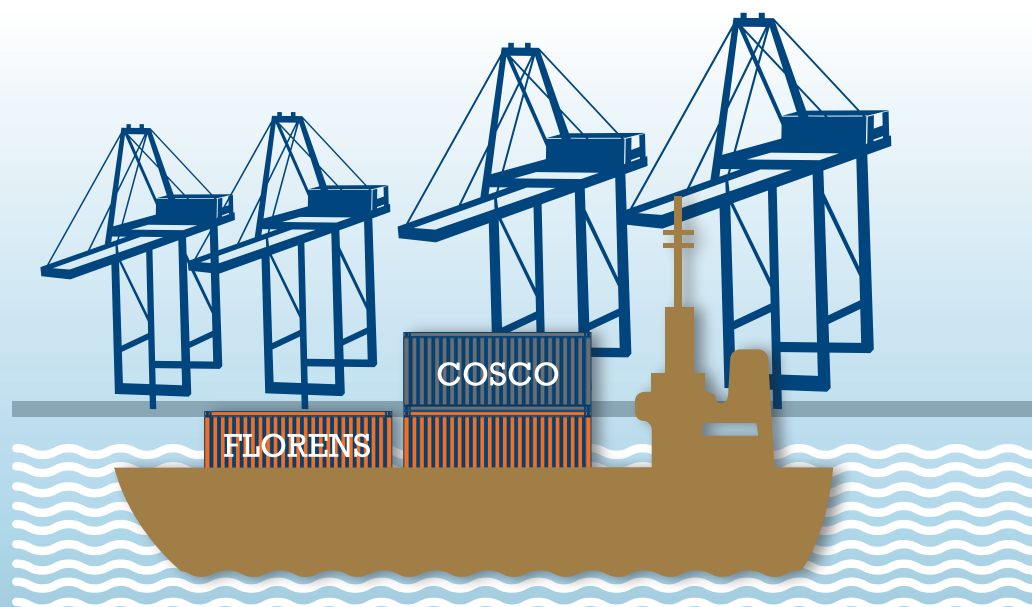
 Profit
increased by

54.2%

OPERATIONAL REVIEW

TERMINALS

The terminal business of COSCO Pacific achieved good results during the year as it increased operational efficiency. We continued to implement our business strategy and optimise our global terminal network to enhance the stability of our terminal business.



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. 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 showed 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

Throughput of top 10 global container ports

Rank	Port	Throughput (TEUs)	Year-on-year change
1	Shanghai	31,739,000	9.2%
2	Singapore	29,938,000	5.3%
3	Hong Kong	24,384,000	2.9%
4	Shenzhen	22,571,000	0.3%
5	Busan	16,175,000	14.0%
6	Ningbo	14,686,000	11.7%
7	Guangzhou	14,230,000	13.4%
8	Qingdao	13,020,000	8.4%
9	Dubai	13,000,000	12.1%
10	Rotterdam	11,900,000	6.5%

Source: Hong Kong Port Development Council

Throughput of top 10 Chinese container ports

Rank	Port	Throughput (TEUs)	Year-on-year change
1	Shanghai	31,739,000	9.2%
2	Shenzhen	22,571,000	0.3%
3	Ningbo	14,686,000	11.7%
4	Guangzhou	14,230,000	13.4%
5	Qingdao	13,020,000	8.4%
6	Tianjin	11,500,000	14.1%
7	Xiamen	6,460,700	10.9%
8	Dalian	6,400,000	22.1%
9	Lianyungang	4,850,000	25.3%
10	Yingkou	4,033,000	20.8%

Source: www.portcontainer.cn / Hong Kong Port Development Council



Profit increased by**54.2%**

The Group's loss-making terminals made a significant turnaround in 2011.

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 it increased operational efficiency. We continued to implement our business strategy and optimise our global terminal 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 in Mainland China during 2011, resulting in a 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. Benefiting 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 profit of US\$3,054,000 in 2011 (2010: loss of US\$5,088,000).

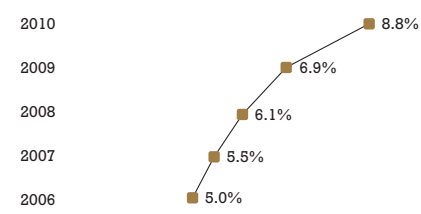
During the year, the Group disposed of its equity interest in Qingdao Cosport Terminal, making a profit after tax of US\$12,557,000 (2010: profit on disposal of Dalian Port Container Co., Ltd. was US\$7,020,000).

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

During the year, the revenue 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%).



Global market share continued to grow



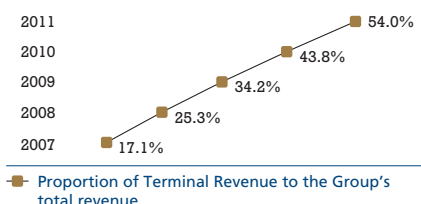
Source: Drewry Shipping Consultants Limited

Compounded annual growth rate of terminal revenue reached 58.6%

Year	Revenue (US\$ million)
2011	323.3
2010	195.6
2009	119.6
2008	85.4
2007	51.0

US\$ 323.3million

Continuous growth in proportion of terminal revenue to the Group's total revenue



■ Proportion of Terminal Revenue to the Group's total revenue

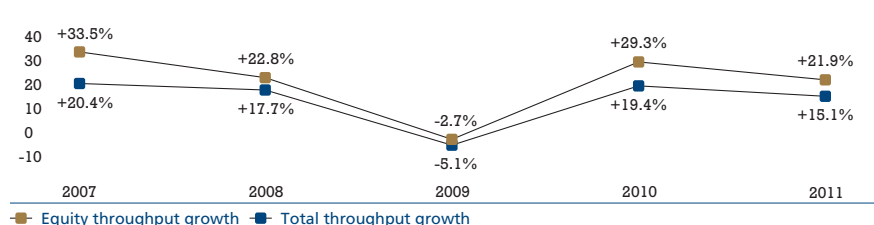
COSCO Pacific achieved an 8.8% share of the global container terminal market and consolidated its position as the world's fifth largest container terminal operator

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 point 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, generating continuous high revenue growth, increasing the proportion of the Group's total revenue it accounts for and growing equity throughput faster 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 by 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 in 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).

Equity throughput outperformed total throughput



■ Equity throughput growth ■ Total throughput growth

MANAGEMENT EXCELLENCE ENHANCED PROFITABILITY

Equity throughput outperformed total throughput, increasing

21.9%

Total throughput of different regions			
	Throughput (TEUs)	Year-on-year change	% of total throughput
Bohai Rim	19,080,645	+19.8%	37.7%
Yangtze River Delta	7,599,938	+15.3%	15.0%
Pearl River Delta & Southeast Coast	17,305,507	+7.5%	34.1%
China (including Hong Kong)	43,986,090	+13.9%	86.8%
Overseas	6,709,807	+23.6%	13.2%
Total throughput	50,695,897	+15.1%	100.0%

Equity throughput of different regions			
	Throughput (TEUs)	Year-on-year change	% of equity throughput
Bohai Rim	3,959,592	+18.0%	28.8%
Yangtze River Delta	2,231,511	+14.6%	16.2%
Pearl River Delta & Southeast Coast	4,939,930	+22.8%	36.0%
China (including Hong Kong)	11,131,033	+19.4%	81.0%
Overseas	2,613,296	+34.0%	19.0%
Total equity throughput	13,744,329	+21.9%	100.0%

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

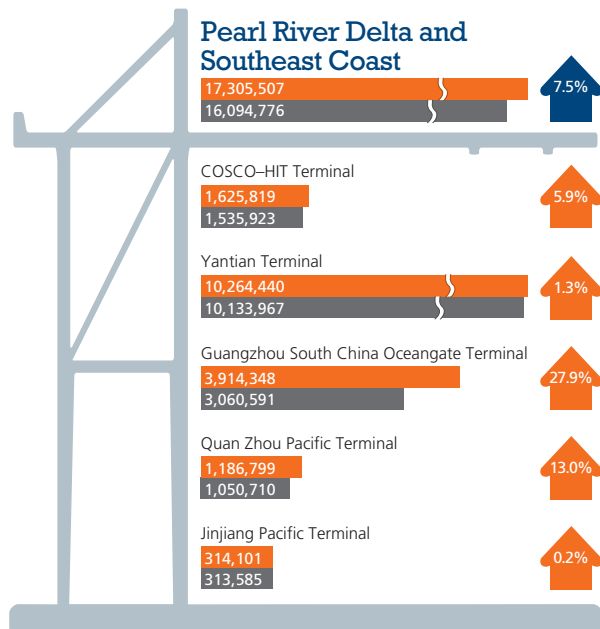
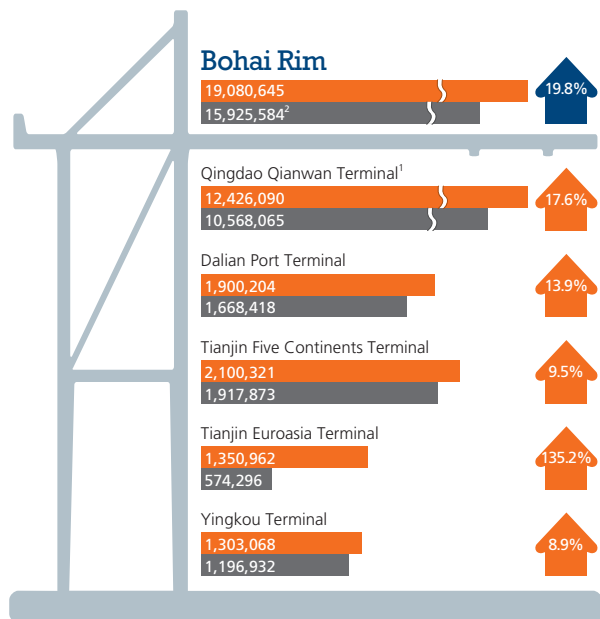
The throughput of the Bohai Rim region was 19,080,645 TEUs (2010: 15,925,584 TEUs), an increase of 19.8%, representing 37.7% of the Group's total throughput. The performance was better than the Yangtze River Delta and Pearl River Delta and growth was mainly driven by Qingdao Qianwan Terminal and Tianjin 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. During the year, its 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 Oceagate Terminal experienced a marked increase in throughput of 27.9%. The terminal's major customer, Maersk Line, increased shipping routes calling at this terminal.

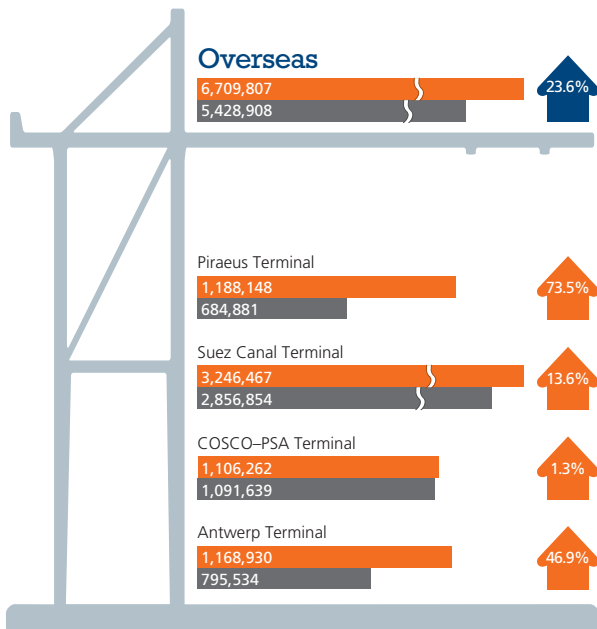
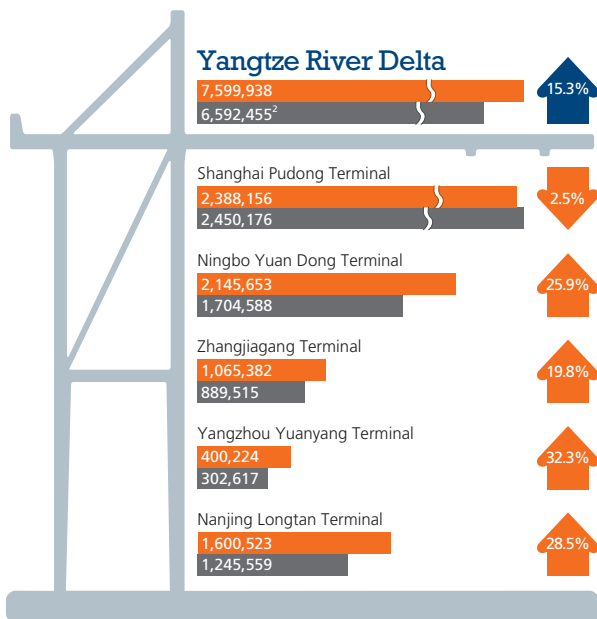
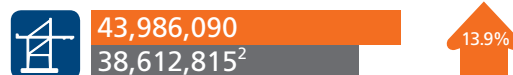
Throughput of terminals

Total Container Throughput



2011 (TEUs) 2010 (TEUs)

Total Container Throughput in China



Note

- Throughput of Qingdao Qianwan Terminal includes the throughput of Qindao Qianwan United Terminal and Qingdao Qianwan United Advance Terminal and these two terminals are jointly controlled entities of Qindao 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.
- The throughput of 2010 does not include the throughput of Qingdao Cosport Terminal and Shanghai Terminal. The Group disposed of its 50% equity interest in Qingdao Cosport Terminal on 28th April 2011. Hutchison Ports Shanghai Limited, 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.
- 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 Dailan Automobile Terminal reached 176,624 vehicles (2010: 121,887 vehicles), an increase of 44.9%.

“ THE GROUP’S TERMINAL PORTFOLIO CURRENTLY COVERS FOUR MAIN PORT REGIONS IN CHINA AND OVERSEAS HUB PORTS, RESULTING IN AN OPTIMISED AND DIVERSIFIED TERMINAL PORTFOLIO. ”

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 transshipment cargo volume has increased significantly.

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).

Balanced geographical distribution of terminals

Terminal berths in operation	No. of berths	Annual handling capacity (TEUs)	% of annual total handling capacity
Bohai Rim			
Container	33	18,550,000	33.4%
Automobile	2	600,000 vehicles	100%
Total number of terminal berths	35		
Yangtze River Delta			
Container	15	6,600,000	11.9%
Break-bulk	5	6,550,000 tonnes	72.4%
Total number of terminal berths	20		
Pearl River Delta & Southeast Coast			
Container	27	21,000,000	37.9%
Break-bulk	3	2,500,000 tonnes	27.6%
Total number of terminal berths	30		
Overseas			
Total number of terminal berths	18	9,300,000	16.8%
Total number of container berths	93	55,450,000	
Total number of break-bulk berths	8	9,050,000 tonnes	
Total number of automobile berths	2	600,000 vehicles	
Total number of terminal berths	103		



During the year, the Group further strengthened the earning power of the terminal portfolio. The Group disposed of its 50% equity 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 included 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 Terminal providing 1,912,500 TEUs annual handling capacity.

During the year, the Group also sold its entire equity interest in Qingdao Cosport Terminal, while Shanghai Terminal stopped handling containers from January 2011. These two terminals together had 11 berths with 4,300,000 TEUs annual handling capacity.

Newly-added annual handling capacity in 2011

Terminals	No. of berths	Annual handling capacity (TEUs)	Operation commenced
Qingdao Qianwan United Terminal	2	1,040,000	January
Qingdao Qianwan United Advance Terminal	2	1,300,000	July
Suez Canal Terminal	3	1,912,500	October
Total	7	4,252,500	



In 2012, annual handling capacity is expected to increase by

9.3%

to 60,600,000 TEUs.

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 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 Terminal (200,000 TEUs) and Ningbo Yuan Dong Terminal (1,200,000 TEUs).

Additional annual handling capacity in 2012

Terminal	No. of berths	Annual handling capacity (TEUs)	Operation commenced
Dalian Port Terminal	1	850,000	Second quarter
Xiamen Ocean Gate Terminal	2	1,400,000	Second quarter
Piraeus Terminal	–	1,000,000	Second quarter
Jinjiang Pacific Terminal	1	500,000	Third quarter
Yangzhou Yuanyang Terminal	1	200,000	Third quarter
Ningbo Yuan Dong Terminal	2	1,200,000	Fourth quarter
Total	7	5,150,000	

“ A BALANCED GEOGRAPHICAL DISTRIBUTION WILL HELP THE GROUP WITHSTAND ECONOMIC UNCERTAINTIES AND LEND RELATIVE STABILITY TO ITS OPERATIONS.

THE GROUP EXPECTS TO SEE A SLOWDOWN OF THROUGHPUT GROWTH IN 2012 COMPARED TO 2011 FOR ITS TERMINAL BUSINESS.

PIRAEUS TERMINAL AND GUANGZHOU SOUTH CHINA OCEANGATE TERMINAL ARE EXPECTED TO CONTINUE TO DRIVE THE GROWTH IN THE GROUP'S TOTAL THROUGHPUT AND EQUITY THROUGHPUT IN 2012. ”

Xiamen Ocean Gate Terminal started trial operation at the end of November 2011 and is expected to start formal operation in 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.

Balanced geographical distribution of terminals adds to confidence in future development

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, we invest not only in international hub ports along the coast of China, but also allocate resources to feeder ports in China that handle domestic and international trade. The Group's terminal portfolio currently covers four main 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 prospects more 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.

Enhancing operating leverage to strengthen the Group's earnings momentum

In 2011, strong growth in throughput resulting from new shipping routes and new customers drove income and profit growth at Piraeus Terminal and

Guangzhou South China Oceangate Terminal. These two terminals are expected to continue to record strong throughput growth in 2012 and drive the growth in the Group's total throughput and equity throughput.

Upgrading work at Pier 2 of Piraeus Terminal started in the second quarter of 2010. Six new super post-panamax quay cranes and eight newly-acquired rail-mounted gantry cranes have put into operation. The works will be completed in the first half of 2012 and will increase the annual handling capacity from 1,600,000 TEUs to 2,600,000 TEUs. Construction of Pier 3 started in the fourth quarter of 2011 and is expected to bring an additional 1,100,000 TEUs annual handling capacity to the terminal after the completion of construction. Sales and marketing work has also progressed satisfactorily, with two international shipping companies increasing berthing and commencing calls during the year. Operating leverage continued to improve on the back of fast growth in business.



The Group is developing Piraeus Terminal into the key transshipment terminal in the Mediterranean region, providing efficient, reliable and stable transshipment container handling services to attract more international shipping companies. This has helped the Group maintain a stable cash flow and achieve a satisfactory investment return.

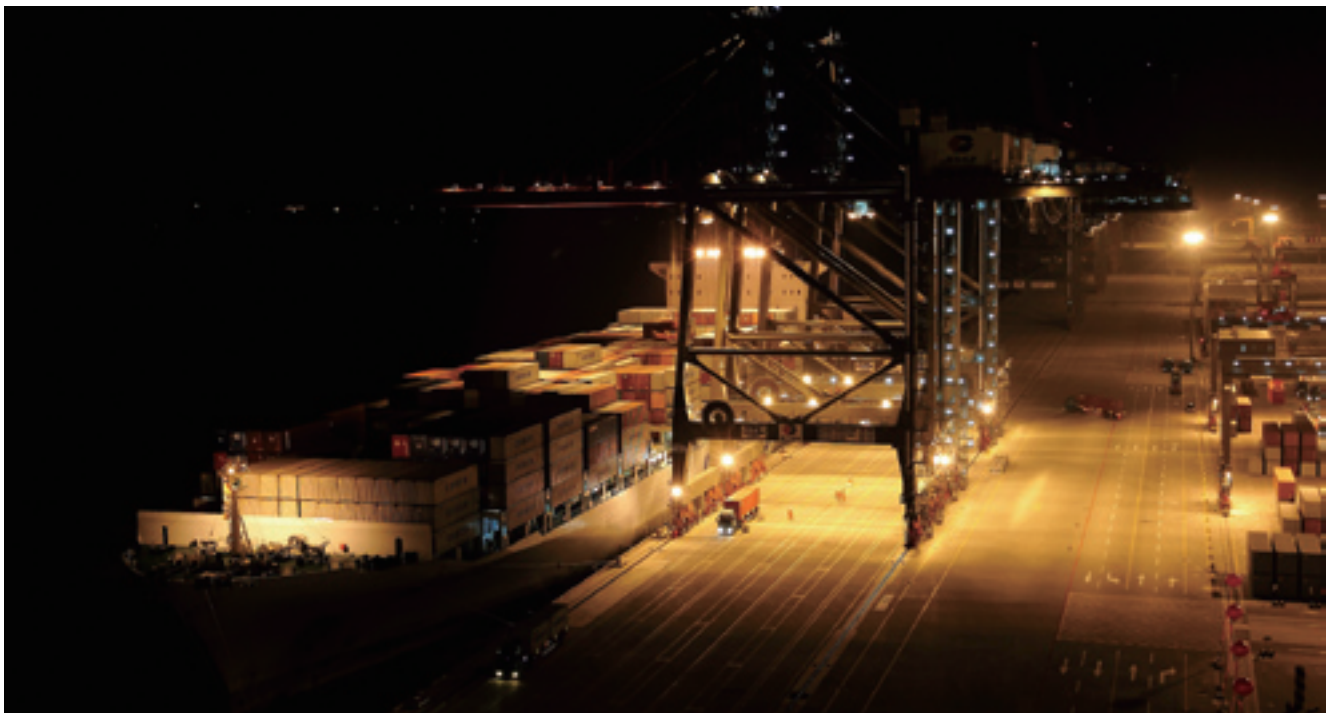
The Group holds a 70% equity interest in Xiamen Ocean Gate Terminal and has actively participated in the development of the four berths numbered 14 to 17 in Xiamen Haicang District since 2007.

The four berths, with a quay length of 1,508 metres and a total area of 1,220,000 square metres, have a design annual handling capacity of 2,800,000 TEUs and can handle vessels up to 150,000 tonnes. Two berths started trial operation at the end of 2011.

Xiamen Port is connected with the most active economic zones in Fujian

Province and will be developed into an international shipping hub for South-eastern China. Xiamen Haicang District belongs to the western district of Xiamen Haicang Bonded Port. The bonded port provides for international transshipment, international transit trade, export processing and related functions. The Group has four container berths located in Haicang District at Xiamen Port. We will use the geographical advantage of Xiamen Port to enhance the geographical strategic network of the Group's terminal business.

During its preliminary stages of operation, the Group has actively begun marketing Xiamen Ocean Gate Terminal, with the aim of enhancing operating leverage and shortening the ramp-up period. The operation will gradually mature within 2 to 3 years, providing additional momentum to the continued expansion of the Group's terminal business.



Terminal portfolio¹

Terminal companies	Shareholding	No. of berths	Depth (M)	Annual handling capacity (TEUs)
Bohai Rim		43		23,850,000
Qingdao Qianwan Container Terminal Co., Ltd.	20%	11	17.5	6,500,000
Qingdao New Qianwan Container Terminal Co., Ltd.	16%	6	15.0-20.0	3,600,000
Qingdao Qianwan United Container Terminal Co., Ltd.	8%	7	17.0-20.0	3,950,000
Qingdao Qianwan United Advance Container Terminal Co., Ltd.	5.6%	2	17.0-20.0	1,300,000
Dalian Port Container Terminal Co., Ltd.	20%	6	13.5-17.8	4,200,000
Dalian Automobile Terminal Co., Ltd.	30%	2	11.0	600,000 (vehicles)
Tianjin Five Continents International Container Terminal Co., Ltd.	14%	4	15.7	1,500,000
Tianjin Port Euroasia International Container Terminal Co., Ltd.	30%	3	15.5	1,800,000
Yingkou Container Terminals Company Limited	50%	2	14.0	1,000,000
Yangtze River Delta		32		12,200,000
Shanghai Pudong International Container Terminals Limited	30%	3	12.0	2,300,000
Shanghai Xiangdong International Container Terminal Limited	10%	4	15.0	3,200,000
Ningbo Yuan Dong Terminals Limited	20%	5	15.0	3,000,000
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	51%	3	10.0	1,000,000
Yangzhou Yuanyang International Ports Co., Ltd.	55.59%	2	12.0	700,000
		5	8.0-12.0	6,550,000 (tons of break-bulk cargo)
Nanjing Port Longtan Container Co., Ltd.	20%	10	12.0	2,000,000
Pearl River Delta and Southeast Coast		37		24,300,000
COSCO-HIT Terminals (Hong Kong) Limited	50%	2	15.5	1,800,000
Yantian International Container Terminals Co., Ltd. (Phase I & II)	14.59%	5	14.0-15.5	4,500,000
Yantian International Container Terminals (Phase III) Limited	13.36%	10	16.0	9,000,000
Guangzhou South China Oceangate Container Terminal Co., Ltd.	39%	6	15.5-16.0	4,200,000
Quan Zhou Pacific Container Terminal Co., Ltd.	71.43%	3	7.0-15.1	1,200,000
		2	5.1-9.6	1,000,000(tons of break-bulk cargo)
Jinjiang Pacific Ports Development Co., Ltd.	80%	2	10.2-14.0	800,000
		3	7.9-9.8	4,200,000(tons of break-bulk cargo)
Xiamen Ocean Gate Container Terminal Co., Ltd.	70%	4	17.0	2,800,000
Overseas		22		13,300,000
Piraeus Container Terminal S.A.	100%	6	14.0-16.0	3,700,000
Suez Canal Container Terminal S.A.E.	20%	8	16.0	5,100,000
COSCO-PSA Terminal Private Limited	49%	2	15.0	1,000,000
Antwerp Gateway NV	20%	6	17.0	3,500,000
Total no. of berths		134		
Total no. of container berths/Annual handling capacity		122		73,650,000
Total no. of break-bulk cargo berths/Annual handling capacity		10		11,750,000 (tons of break-bulk cargo)
Total no. of automobile berths/Annual handling capacity		2		600,000 (vehicles)

Note

1. The terminal portfolio includes all terminal projects for which agreements have been signed on or before 31st December 2011. It includes operating and non-operating terminal companies, berths and annual handling capacity.

