

HONOUR。

To Stride in Honour

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To run a business we must act.

COSCO Pacific, with its spirit of constantly striving to overcome obstacles, has achieved satisfactory results in an extremely challenging environment.

Whilst proactively creating value for our shareholders, we also exceed the expectations of stakeholders by maintaining the highest standard of conduct in our business operations. We are committed to attaining the highest standards in the areas of corporate governance, disclosure of information, external communications and environmental protection.

We make progress in the right way.

Striding in honour is our self-expectation and our belief.

CHAIRMAN'S STATEMENT



COSCO Pacific demonstrated its ability to deliver sustainable development, overcoming the challenges presented by economic uncertainty, to make good progress based on our solid business foundation and capable management, ultimately achieving satisfactory results.

Dear Shareholders,

On behalf of the Group, I am pleased to report to you on the performance and operations of the Company in 2012.

In 2012, world economic growth slowed significantly and the global shipping industry experienced a number of challenges. Although the industry continued to grow as expected, the speed of growth slowed somewhat. The “ripple effect” of the European debt crisis made the road to recovery patchy and uneven.

Progress through Persistence

Against this backdrop of economic turbulence, COSCO Pacific demonstrated its ability to deliver sustainable development, overcoming the challenges presented by economic uncertainty, to make good progress based on our solid business foundation and capable management, ultimately achieving satisfactory results despite the headwinds.

During the year, we continued to maintain our leadership in container terminals and container leasing. We remain the world’s number five operator of container terminals, with a market share of approximately 9.0% based on total throughput. COSCO Pacific is also the fourth largest container leasing company in the world with a global market share of approximately 12.0% in 2012.

In 2012, the terminal business continued to generate stable profit. Profit from the terminal business was US\$188,964,000, excluding non-recurring items in 2011, 9.7% higher than last year. We also achieved encouraging profit growth at our container leasing, management and sale businesses, which reached US\$139,522,000, up 19.8% over 2011.

The Group’s revenue in 2012 was US\$735,500,000, up 22.8%, reflecting the steady growth at the terminal business and the satisfactory growth of our container leasing business. However, profit attributable to equity holders of the Company was lower, declining by 12.0% to US\$342,194,000, owing to a decrease in the share of profit from CIMC. Excluding non-recurring items and the share of profit from CIMC, profit attributable to the equity holders of the Company was US\$280,299,000, an increase of 14.6% year-on-year.

Established Principle: Stable Dividend Policy

Earnings per share were US12.51 cents. The Board is recommending a final dividend of US2.364 cents per share, which together with the interim dividend of US2.640 cents per share, will result in a full-year dividend of US5.004 cents per share, maintaining the payout ratio at 40.0%.



The Board is of the opinion that maintaining a stable dividend payout ratio is a key commitment to shareholders. This policy is a well-established principle within the Company and despite the ups and downs of the market, we thus aim to provide our shareholders with stable and predictable dividend returns, as we have in the past. By adhering to these established principles, we will earn the continued support of long-term investors.

In the midst of globalised competition, COSCO Pacific is committed to relying on its core competence as a corporation to create synergies among corporate strategy, marketing, finance, management, human resources and investor relations, to ensure that the Group's development outpaces that of the competition.

Focusing on our China Terminals while Optimising our Worldwide Portfolio

Persistence is pivotal to our corporate strategy. The terminal industry is of great strategic importance to the global supply chain. Goods transported by sea account for approximately 90% of the world's total freight volume, as a result of which the terminal industry has benefited from the steady growth of global trade. At the same time, the ports industry has a high barrier to entry. These favourable factors minimise fluctuations in terminal throughput during periods of economic downturn. By contrast during periods of economic recovery, growth in terminal throughput is strong.

Given our past experience, according to our considered judgment, our terminal business will continue to grow steadily. We will adhere to the principle of "China Roots, Global Vision" to optimise our global terminal asset mix.

The Group's terminal investment strategy is focused on maintaining a balanced geographical distribution of terminals. We have been primarily investing in ports in China while expanding the port network overseas, to optimise our global port network. As at 31st December 2012, COSCO Pacific operated and managed 25 terminal companies with

container annual handling capacity of 60.30 million TEU in 20 ports worldwide, among which 19 terminal companies were in mainland China accounting for 78% of total container annual handling capacity.

Stable Revenue from the Container Leasing Business

As at 31st December 2012, the size of the container fleet under the operation and management of Florens, the Group's wholly-owned subsidiary, was 1,855,597 TEU. Florens' results in 2012 were satisfactory. Revenue from the container leasing, management and sale businesses was US\$336,224,000, up 21.6% year-on-year. This reflects the Group's proven strategy within container leasing of engaging mainly in long-term leasing activity to ensure stable lease income and maintain a high utilisation rate. In 2012, rental revenue from long-term leases accounted for 94.3% of total container leasing revenue.

The container leasing business of Florens provides a steady profit contribution and cash flow to the Group, providing strong support for the Group's fast-developing strategy for the terminal business.

To Stride in Honour: Sustainable Development and Effective Communications

Looking ahead to 2013, the world economy still faces great uncertainty. At COSCO Pacific we will continue to implement our long-term strategic plan for terminal mix optimisation, while proactively diversifying our terminal portfolio to strengthen our ability to develop as the world's leading terminal operator. In conjunction with this long-term goal, we will formulate achievable targets for the solid development of our container leasing business. This will increase the Company's overall efficiency.

Guided by the saying "to stride in honour", as we pursue the strengthening of corporate core competence and sustainability, COSCO Pacific will focus on the continuous improvement of corporate governance, the promotion of

integrity, adherence to applicable laws and regulations as well as perfecting internal controls. COSCO Pacific was included as a constituent of the Hang Seng Corporate Sustainability Benchmark Index effective from 10th September 2012, reflecting the market's endorsement of the Company's standards of corporate governance, environmental protection, community caring and employee relations. Our level of transparency and corporate governance secured numerous awards in 2012, including the "Outstanding China Enterprise Award" presented by *Capital* magazine, and "The Asset Corporate Gold Award" granted by *The Asset*, a well-known Asian financial magazine. During the year, we also received the "Corporate Governance Asia Recognition Award" for the sixth consecutive year and the "Best Investor Relations Company" Award for the second consecutive year, both presented by *Corporate Governance Asia* magazine.

In addition, our 2011 annual report was granted a "Gold Award for Written Text" and an "Honor for Overall Annual Report" in the shipping services category at the 2012 ARC Awards, another indication that the Company's vision and its effort continuously to improve investor relations and corporate governance have been well-received by professionals in all fields.

We will continue to improve and strengthen our systems of internal supervision and compliance, to bring corporate governance and investor relations to a new level in support of enterprise value.

Continuing to emphasise the importance of cultivating talent, we will improve further the existing system of talent recruitment and staff training and develop a better staff review system. Building on the achievements of the past year, we will continue to promote the development of a corporate culture that reflects our position as one of the world's top-tier enterprises in our industry.

Lastly, on behalf of the Board, I would like to thank our shareholders and business partners for their support and our employees for their extraordinary efforts towards making COSCO Pacific a great company.



Li Yunpeng
Chairman

26th March 2013

