VICE CHAIRMAN'S REPORT

The Company successfully implemented its strategy of operational innovation, management enhancement. As a result, our terminal business and container leasing business were able to realise growth in both revenue and profit.

In response to the prevailing situation, in 2012 COSCO Pacific focused on the benefits to be derived from focusing on marketing, while enhancing strategic planning, the profitability of terminal in which the Group has a controlling shareholding, the diversify of our container leasing business and the overall management of the Company.

During the year, the Company successfully implemented its strategy of operational innovation and management enhancement, even as the global economy remained full of challenges and uncertainties, and the shipping market was subdued. As a result, our terminal business and container leasing business were able to realise growth in both revenue and profit.

Exploring the Market in Challenging Times to Achieve Steady Growth

In 2012, the Group's terminal business achieved stable growth, with revenue of US$402,161,000, a 24.4% increase over the US$323,339,000 recorded in 2011. The growth was mainly due to a higher revenue contribution from Piraeus Terminal, which increased by 32.9% to US$134,773,000. In addition, revenue from Guangzhou South China Oceangate Terminal increased by 25.7% to US$119,270,000.

Facing fierce competition, the Group strived to enhance its sales effort to win customers. During the year, our commercial headquarters worked closely with the terminal companies to enhance core competence by expanding our customer base and providing customers with better services. In 2012, the terminals in which the Group has controlling stakes in mainland China introduced 58 new shipping routes. As one of our key marketing initiatives, Xiamen Ocean Gate Terminal successfully attracted eight shipping routes for domestic and foreign trade. Internationally, Piraeus Terminal gained commence calls from small to mid sized international shipping companies, as well as from numerous shipping companies engaged in the operation of feeder routes, to improve customer mix. Piraeus Terminal recorded a net profit of US$19,864,000 in 2012.

Total throughput of the Group's container terminals was 55,685,225 TEU in 2012, up 9.8% year-on-year. Piraeus Terminal recorded the highest growth, handling 2,108,090 TEU during the year, a 77.4% increase. With an increase of 13.8% in equity throughput, profit from the Group's terminal business reached US$188,964,000, up 9.7% year-on-year excluding non-recurring items in 2011.

In container leasing, Florens, through which the Group operates its container leasing business, devoted its efforts to gaining market share and improving business returns, resulting in a significant contribution to the Group's profit in 2012. As of 31st December 2012, the fleet size of owned containers was 995,961 TEU, up 13.9% year-on-year. As a result of an increase in the number of containers on hire, the revenue of the leasing business was US$280,514,000, representing an increase of 13.7%. In addition, revenue from the disposal of returned containers was US$42,606,000, up 133.5%, mainly due to a 2.2 times increase in the number of disposed returned containers to 31,671 TEU.

During the year, the size of the Group's container fleet increased steadily. Boosted by both the increase in the number of containers on hire and disposed returned containers, the profit from container leasing, management and sale businesses reached US$139,522,000, representing an increase of 19.8% over 2011.

Stable Operation and Core Strengths

We derived satisfactory results from the Group's stable development and operation. For many years, the Group has been dedicated to investing in the sustainable development of its terminal and container leasing businesses to enhance core competence and profitability. The capital expenditure of the Group in 2012 was US$808,801,000.

In its terminal business, the Group increases its handling capacity mainly by expanding terminals under operation. We also focus on upgrading the infrastructure at our terminals to enhance operating efficiency, thus improving their competiveness and giving momentum to our business growth. In 2012, capital expenditure for the terminal business was US$434,700,000, mainly for the construction of terminal infrastructure and operational facilities at Xiamen Ocean Gate Terminal and the upgrading of Pier 2 and construction of Pier 3 at Piraeus Terminal.

Capital expenditure for the purchase of new containers was US$371,668,000, amounting to 162,742 TEU. These new containers are already booked by shipping companies and we therefore expect revenue from container leasing to increase in 2013.

As at 31st December 2012, the Group operated and managed 25 terminal companies, among which seven were companies in which the Group has controlling stakes (Piraeus Terminal, Guangzhou South China Oceangate Terminal, Quan Zhou Pacific Terminal, Yangzhou Yuanyang Terminal, Zhangjiagang Terminal, Jinjiang Pacific Terminal and Xiamen Ocean Gate Terminal), while four were overseas terminal companies (Piraeus Terminal, Suez Canal Terminal, COSCO-PSA Terminal and Antwerp Terminal). The 25 terminal companies had 109 berths in operation, including 99 berths for containers, eight berths for break-bulk cargo and two for automobiles. The total annual handling capacity of the 99 container berths was 60.30 million TEU.

In 2012, the Group's annual handling capacity increased by 4.85 million TEU, acting as a new catalyst for throughput

growth. Xiamen Ocean Gate Terminal, the newly operational terminal in which the Group has acquired a controlling stake, began operating two berths in 2012, adding 1.4 million TEU of annual handling capacity. The project to upgrade Pier 2 of Piraeus Terminal added one million TEU of annual handling capacity.

For the container leasing business, Florens, a subsidiary of COSCO Pacific, was the fourth largest container leasing company in the world, accounting for approximately 12% of the global market share. Florens has business networks in 14 cities in nine countries, namely China, the U.S., Japan, Singapore, Australia, Brazil, the U.K., Germany and Italy. In addition, its depot service network covers a total of 210 container depots in 36 countries and regions.

As at 31st December 2012, Florens operated and managed a fleet size of 1,855,597 TEU, a 4.4% year-on-year increase. Among its total of approximately 276 container leasing customers are 28 of the world's top 30 shipping companies. Revenue from the top ten shipping companies accounted for 72.1% of the Group's total leasing business. Florens' average container utilisation rate of 95.3% was higher than the market average of approximately 94.8%.

More Rapid Diversification of the Terminal Portfolio

The Group's vision of strengthening the world's leading terminal operator has remained unchanged despite the market downturn. We stand firmly against the challenges from all directions.

During 2012, the Company increased the pace of diversification of its terminals. Following the signing of a letter of intent to form a joint venture for an ore terminal at Dongjiakou in Qingdao, we aim to sign the formal joint-venture agreement in 2013. Meanwhile, we have completed the capital injection into Quan Zhou Pacific Terminal, increasing the Company's shareholding to 82.35%. We were also working proactively to acquire stakes in Taicang Terminal and in a break-bulk berth at the Haicang port area of Xiamen Port.

During the year, COSCO Pacific established a joint-venture company with China Shipping Terminal Development (Hong Kong) Limited and China Merchants Holdings (International) Company Limited to acquire a 30% equity interest in Kao Ming Terminal in Port of Kaohsiung in Taiwan. The share acquisition was completed on 27th December 2012. In addition to monitoring investment opportunities in traditional investment areas in the U.S. and Europe, the Company is exploring investment possibilities in terminals in Southeast Asia, West Africa, the Middle-East, South America and other regions.

The Group has begun two terminal projects in early 2013. Xiamen Ocean Gate Terminal successfully acquired Berth 13 for break-bulk cargo at the Haicang port area of Xiamen Port for a consideration of RMB205,864,000. The berth is close to Berth 14 of Xiamen Ocean Gate Terminal and will create synergies with Xiamen Ocean Gate Terminal through sharing human resources, venues and facilities. In addition, the Group entered into an equity transfer agreement with COSCO, the Company's ultimate controlling shareholder, to acquire a 39.04% equity interest in Taicang Terminal from COSCO for a consideration of approximately RMB323,109,000. This move will further strengthen our flagship status within the terminal business of COSCO.

Harmonious Development and Corporate Responsibility

COSCO Pacific is devoted to fulfilling its corporate social responsibilities in the course of improving corporate profitability and shareholder returns. We emphasise environmental protection, uphold the principle of a low carbon approach and implement measures to achieve energy saving and emissions reduction. In 2012, the Company continued to encourage and provide support to the terminal companies in which it has controlling interests to invest in the "fuel to electricity" projects for energy saving, emissions reduction and lowering the power consumption of hangers. During the year, we completed the upgrading of 62 fuel engine hangers, reducing carbon emissions by the equivalent

of 10,525 tons of standard coal. In 2012, the Company signed a framework agreement for the construction of a fully automated loading and unloading system at Xiamen Ocean Gate Terminal, which will aim to achieve zero-emissions operation through the application of state-of-the-art technology and advanced management techniques. Going forward, COSCO Pacific will continue to promote the idea of "green" operations, raise awareness of environmental protection and provide strong support to its subsidiaries to carry out measures on energy saving, emissions reduction and other aspects of environmental protection.

Prospects

Looking ahead, global trade should recover moderately in 2013 even though the world economy remains in the shadow of the European debt crisis and the U.S. "fiscal cliff" issue. According to forecasts by research institution, international trade volume will increase by 3.8%, compared with 2.8% in 2012. Trading activity in developing economies will stay buoyant and China's GDP growth will reach at 7.5%.

Although the prospects for the global economy and the container shipping industry both remain uncertain, we believe that the overall operating environment will be better than in 2012. Based on this assumption, we are cautiously optimistic about the prospects of the Group's two core businesses. We expect both stable growth in container throughput at our terminals business and revenue at our container leasing business in 2013.

We will focus on efficiency and continue to impose strict measures on revenue sourcing and cost saving to ensure we achieve our financial targets. At the same time, the Group will continue to make sales and marketing a core task, improve operations management capability and win quality customers through providing quality services.

We also intend to implement our long-term strategic plan by accelerating the completion of terminal projects to expand the terminal portfolio as well as diversifying terminal investment. In the meantime, we will continue to explore possible improvements in revenue and profit at our container leasing business, achieving our targets through the consolidation of traditional business, strengthening marketing efforts and enhancing management efficiency standard.

The achievements in the past year were built on the shared purpose and persistence of every member of the Group and meeting our future targets will rely on the unity of all of us. Finally, I would like to express my heartfelt gratitude to our shareholders for their trust in COSCO Pacific and for the support of COSCO, China COSCO and our sister companies, business partners and other stakeholders. I believe that with the guidance of the Board and the contribution of our employees, we will achieve even better results and bring improved returns to shareholders.

WANG Xingru
Vice Chairman and Managing Director
26th March 2013