

STANDING FIRM。

Standing firm against
storms from all directions

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清一鄭板橋《竹石》



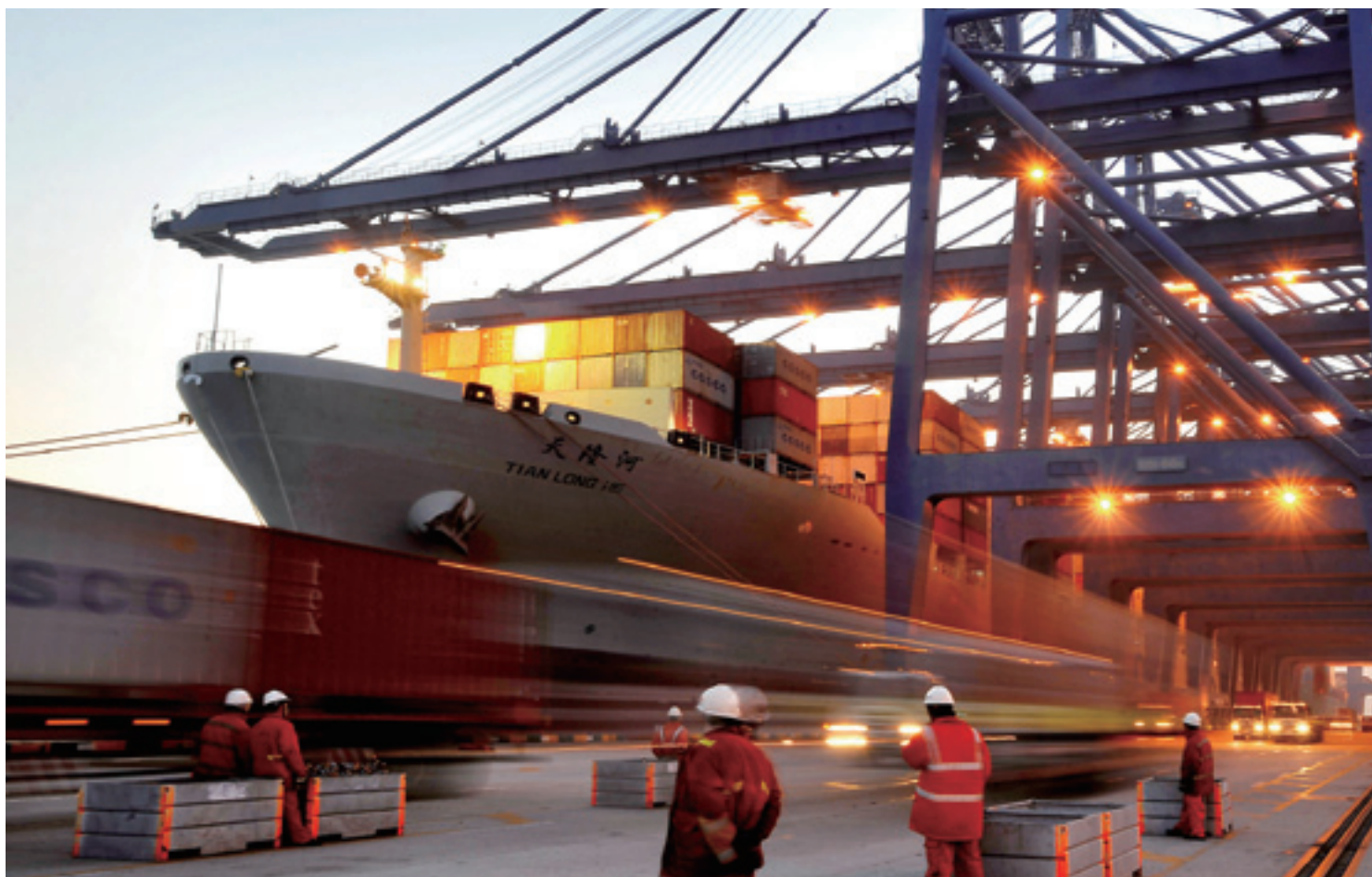
Only through being repeatedly tested can we learn to stand firm.

During the year, the European sovereign debt crisis met with slowing global economic growth, and the global shipping market experienced numerous challenges.

COSCO Pacific nonetheless continued to operate its business in a uniquely stable way. In a difficult market, we integrated the superior capabilities of our management with a strategy combining strength and flexibility, to navigate the storm successfully.

OPERATIONAL REVIEW

TERMINALS



During the year, the terminal business of COSCO Pacific recorded another year of growth, subsequent to a fast-growing year in 2011, despite world economic growth slowing significantly in 2012.

In 2012, the European sovereign debt crisis continued to have a negative impact on the global economy which was characterised by weakness and slow growth. As a result, growth in global container port throughput also slowed. According to the forecast by Drewry Shipping Consultants Limited ("Drewry") in December 2012, the growth in global container port throughput in 2012 was estimated to be 3.9% (2011: +8.2%).

Growth in China's foreign trade also slowed. According to the Chinese Ministry of Commerce, the growth in China's imports and exports fell to 4.3% (2011: +24.9%) and 7.9% (2011: +20.3%), respectively in 2012.

Throughput at Chinese ports in 2012 reflected the slowing growth in the volume of trade. Statistics from the Chinese Ministry of Transport showed that for 2012, throughput at China's container ports only rose by approximately 8.0% (2011: +11.4%).

Among the top ten container ports in mainland China, Dalian port and Qingdao port in the Bohai Rim performed well, while Shanghai port in the Yangtze River Delta and Shenzhen port and Guangzhou port in the Pearl River Delta recorded only slight growth, reflecting the impact on these regions of the sluggish demand for consumer products resulting from the economic slowdown in Europe and the U.S.



Throughput of top 10 global container ports

Rank	Port	Throughput (TEU)	Year-on-year change
1	Shanghai	32,529,000	+2.5%
2	Singapore	31,649,000	+5.7%
3	Hong Kong	23,117,000	-5.2%
4	Shenzhen	22,941,000	+1.6%
5	Busan	17,041,000	+5.3%
6	Ningbo	16,830,000	+14.3%
7	Guangzhou	14,744,000	+3.5%
8	Qingdao	14,500,000	+11.4%
9	Dubai	13,280,000	+1.9%
10	Tianjin	12,300,000	+6.1%

Source: Hong Kong Port Development Council

Throughput of top 10 Chinese container ports

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1	Shanghai	32,529,000	+2.5%
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3	Ningbo	16,830,000	+14.3%
4	Guangzhou	14,744,000	+3.5%
5	Qingdao	14,500,000	+11.4%
6	Tianjin	12,300,000	+6.1%
7	Dalian	8,064,000	+25.9%
8	Xiamen	7,202,000	+11.4%
9	Lianyungang	5,020,000	+3.5%
10	Yingkou	4,851,000	+20.3%

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



Profit at the Terminal Business Remained Stable

During the year, the terminal business of COSCO Pacific recorded another year of growth subsequent to a fast-growing year in 2011. The increase in profit was mainly attributable to stable growth of equity throughput at the Group's terminal business. However, profit growth was moderate due to a loss recorded at Xiamen Ocean Gate Terminal in its preliminary stages of operation.

Excluding a gain of US\$12,557,000 from the disposal of Qingdao Cosport Terminal in 2011, profit from the terminal business was US\$188,964,000 (2011: US\$172,333,000), up 9.7% over 2011. The percentage increase was slightly lower than the Group's growth in equity throughput which was 13.8% in 2012.

Terminal business revenue growth

24.4%

Terminal business revenue accounted for

54.7%

of the Group's revenue

Profit from the terminals in mainland China increased. Among these terminals, profit from Yantian Terminal reached US\$53,639,000 (2011: US\$51,011,000), up 5.2%, while throughput increased by 3.9%. With a 13.0% increase in throughput, profit contributed by Qingdao Qianwan Terminal was US\$37,689,000 (2011: US\$35,513,000), up 6.1%. In 2012, Guangzhou South China Oceangate Terminal continued to contribute profit following its turnaround in the first half of 2011. Profit contribution was US\$6,182,000 (2011: US\$3,054,000), up 102.4%.

The operating efficiency of Piraeus Terminal in Greece continuously improved. With a 77.4% increase in throughput and a rise in import and export cargo tariffs in January 2012, profit contribution from Piraeus Terminal reached US\$19,864,000 (2011: US\$6,502,000), up 205.5%.

In 2012, throughput was down 5.8% at Antwerp Terminal in

Belgium. However, its fourth quarter throughput was up by 13.9% year-on-year, driven by the commencement of calls by an international shipping company in October 2012. As a result, the loss from Antwerp Terminal narrowed to US\$1,624,000 in 2012 (2011: loss of US\$3,650,000), an operational improvement year-on-year.

Revenue Growth at the Terminal Business was Driven by Piraeus Terminal and Guangzhou South China Oceangate Terminal

All terminal subsidiaries recorded revenue growth in 2012. In line with the Group's forecast in early 2012, new shipping routes and customers in 2011 brought strong throughput growth to Piraeus Terminal and Guangzhou South China Oceangate Terminal, supporting the increases in the Group's terminal throughput and revenue. Revenue from Piraeus Terminal rose 32.9% to US\$134,773,000





In line with the Group's forecast, the total container throughput rose 9.8%, close to the 10% growth, at the high end of the range targeted by management.

Global market share continued to grow



(2011: US\$101,420,000), while revenue from Guangzhou South China Oceangate Terminal rose 25.7% to US\$119,270,000 (2011: US\$94,889,000). Xiamen Ocean Gate Terminal, which started operation in May 2012, recorded revenue of US\$6,372,000 for the year.

Looking at the full-year performance, revenue from the terminal business of COSCO Pacific reached US\$402,161,000 (2011: US\$323,339,000), up 24.4%. Revenue from the terminal business accounted for 54.7% (2011: 54.0%) of the Group's revenue and remained the anchor of the Group's steady operations.

Throughput Growth Secured, the World No. 5 Ranking Strengthened

According to Drewry's "Global Container Terminal Operators Annual Review and Forecast" published in

August 2012, the total container throughput of COSCO Pacific terminals accounted for approximately 9.0% of the world total, up 0.2 percentage points year-on-year. The figure reaffirmed the ranking of the Group as the world's number five operator of container terminals.

In line with the Group's forecast, the total container throughput of the Group reached 55,685,225 TEU (2011: 50,695,897 TEU), up 9.8%, close to the 10% growth, at the high end of the range targeted by management.

The Group's terminal companies in mainland China (excluding Hong Kong) handled 46,696,103 TEU (2011: 42,360,271 TEU), up 10.2%, higher than the national average growth rate of approximately 8.0%.

Equity throughput of the Group was up 13.8% year-on-year, totalling 15,638,070 TEU (2011: 13,744,329 TEU), faster than the total throughput growth rate of 9.8%.

Equity throughput outperformed total throughput



Total throughput by region

	Throughput (TEU)	Year-on-year change	Percentage of total
Bohai Rim	21,747,801	+14.0%	39.0%
Yangtze River Delta	8,219,406	+8.2%	14.8%
Pearl River Delta & Southeast Coast	18,412,644	+6.4%	33.1%
China (including Hong Kong)	48,379,851	+10.0%	86.9%
Overseas	7,305,374	+8.9%	13.1%
Total	55,685,225	+9.8%	100.0%

Equity throughput by region

	Throughput (TEU)	Year-on-year change	Percentage of total
Bohai Rim	4,313,859	+8.9%	27.6%
Yangtze River Delta	2,382,698	+6.8%	15.2%
Pearl River Delta & Southeast Coast	5,436,410	+10.1%	34.8%
China (including Hong Kong)	12,132,967	+9.0%	77.6%
Overseas	3,505,103	+34.1%	22.4%
Total	15,638,070	+13.8%	100.0%

The throughput of the Bohai Rim region was 21,747,801 TEU (2011: 19,080,645 TEU), an increase of 14.0%, and accounting for 39.0% of the Group's total. This performance was better than the Yangtze River Delta and Pearl River Delta. The throughput growth of the Bohai Rim region was mainly driven by Qingdao Qianwan Terminal and Tianjin Euroasia Terminal. While showing an overall improvement in operational efficiency, Qingdao Qianwan United Terminal and Qingdao Qianwan United Advance Terminal were still in a ramp-up period. As a result, the throughput of Qingdao Qianwan Terminal recorded significant growth in 2012, up 13.0%. Tianjin Euroasia Terminal started operation in July 2010 and to date its throughput has grown rapidly. Aided by new calls from shipping companies relating to foreign trade routes since

mid 2012, throughput increased by 26.3%.

The throughput of the Yangtze River Delta accounted for 14.8% of total throughput, reaching 8,219,406 TEU (2011: 7,599,938 TEU), up 8.2%. During the year, Ningbo Yuan Dong Terminal successfully introduced additional international transshipment routes, leading to a 12.0% increase in throughput. However, the throughput of Shanghai Pudong Terminal decreased by 9.9% due to the adjustment of shipping routes.

The combined throughput of the Pearl River Delta and Southeast Coast reached 18,412,644 TEU (2011: 17,305,507 TEU), up 6.4% and accounting for 33.1% of the total throughput. The throughput of Yantian Terminal increased by 3.9%,

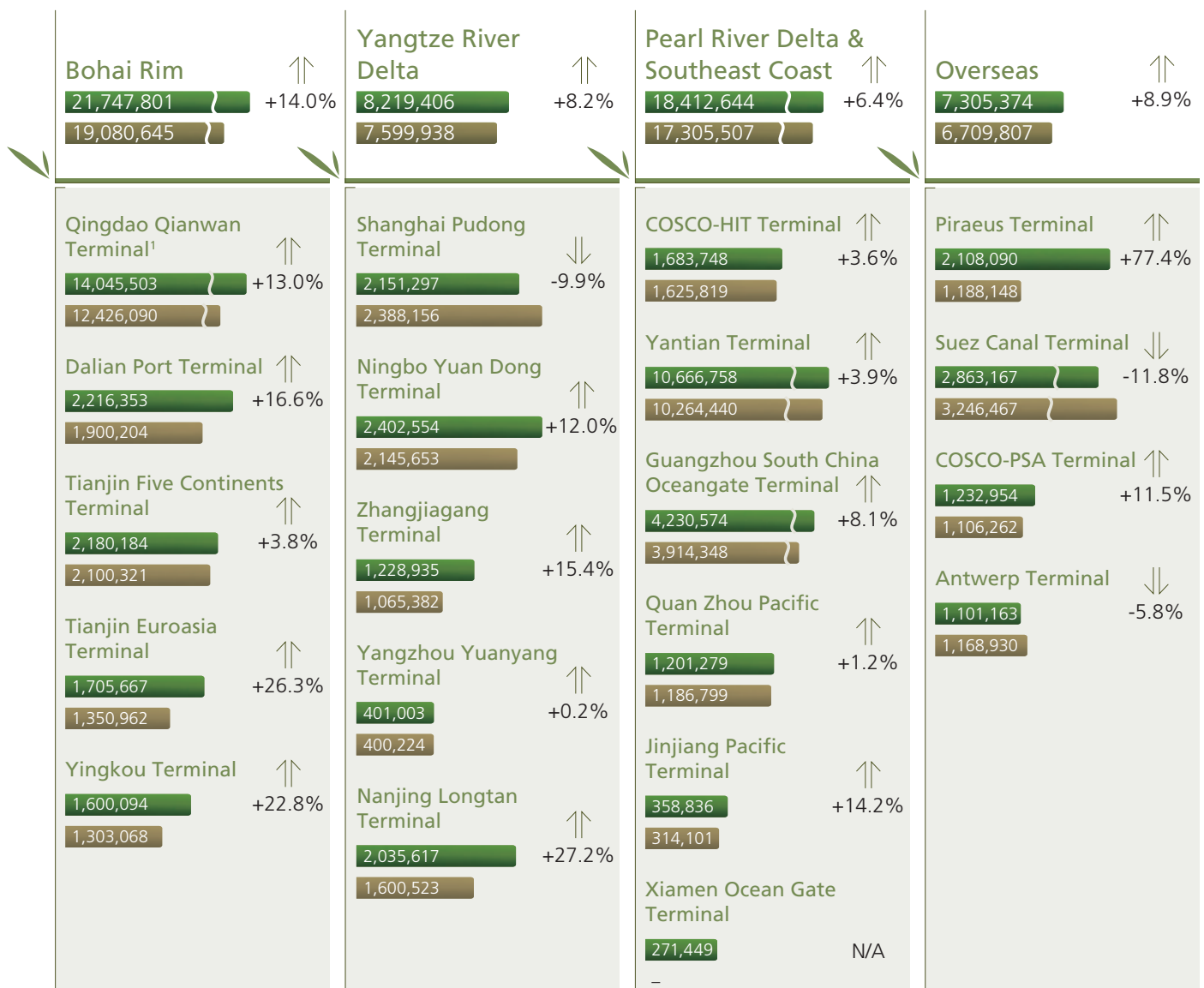
Throughput of Terminals

2012 (TEU)
2011 (TEU)

Total Container Throughput

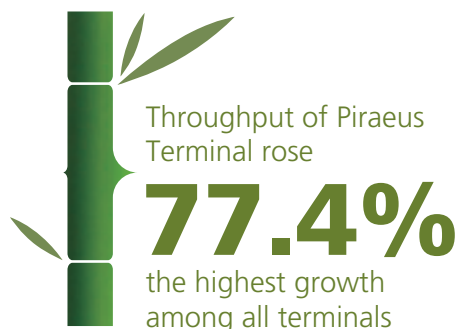


Total Container Throughput in China (including Hong Kong)



Notes

- Throughput of Qingdao Qianwan Terminal includes the throughput of Qingdao Qianwan United Terminal and Qingdao Qianwan United Advance Terminal and these two terminals are jointly controlled entities of Qingdao Qianwan Terminal. The throughput of the two terminals are 3,253,010 TEU (2011: 1,748,450 TEU) and 1,146,692 TEU (2011: 324,446 TEU) respectively.
- The total throughput of break-bulk cargo in 2012 was 23,690,892 tons (2011: 25,285,695 tons), a decrease of 6.3%. The throughput of Dalian Automobile Terminal reached 226,563 vehicles (2011: 176,624 vehicles), an increase of 28.3%.



outperforming the overall Shenzhen port growth rate of 0.3%. Since April 2012, Nansha port district has implemented measures to diversify the handling of domestic and foreign trade cargoes. Guangzhou South China Oceangate Terminal was designated mainly to handle foreign trade cargoes. During the year, the throughput of the terminal rose by 8.1% with an increase in the ratio of foreign trade cargo. Xiamen Ocean Gate Terminal commenced operation in May 2012, and the Group has proactively promoted the terminal in the market. During the year, the terminal introduced a total of eight new domestic and international shipping routes and handled 271,449 TEU.

Throughput from overseas terminals was 7,305,374 TEU (2011: 6,709,807 TEU), up 8.9%, accounting for 13.1% of the total throughput. The throughput of Piraeus Terminal reached 2,108,090 TEU (2011: 1,188,148 TEU), up 77.4%, driven by a substantial growth in transshipment volume, resulting from a major customer increasing berthing since May 2011 and another shipping company commencing calls in October of the same year. In 2012, Piraeus

Terminal continued to enhance its marketing efforts. During the year, its customer mix was further improved by the commencement of calls from small to medium sized international shipping companies, as well as from numerous shipping companies engaged in the operation of feeder routes.

COSCO-PSA Terminal entered into an agreement with PSA Corporation Limited ("PSA"), remaining shareholder of the terminal, in 2012. The agreement allowed PSA to lease 40% of the operating capacity of COSCO-PSA Terminal for two years, commencing in July 2012. As a result, the throughput of COSCO-PSA Terminal declined in the second half of 2012. However, full-year throughput of COSCO-PSA Terminal still increased by 11.5%, reaching 1,232,954 TEU (2011: 1,106,262 TEU).

In addition to being impacted throughout the year by the uncertain European economy, the instability of the local political and public security situation affected the normal operation of Suez Canal Terminal in Egypt. As a result, the throughput of the terminal fell by 11.8% to 2,863,167 TEU (2011: 3,246,467 TEU).

Newly-added annual handling capacity in 2012

Terminals	No. of berths	Annual handling capacity (TEU)	Operation commenced
Xiamen Ocean Gate Terminal	2	1,400,000	May
Piraeus Terminal	–	1,000,000	June
Dalian Port Terminal	1	850,000	July
Yangzhou Yuanyang Terminal	1	200,000	October
Kao Ming Terminal	2	1,400,000	–
Total	6	4,850,000	

Geographical distribution of terminals			
Terminal berths in operation	No. of berths	Annual handling capacity (TEU)	Percentage of total
Bohai Rim			
Container	34	19,400,000	32.2%
Automobile	2	600,000 vehicles	100%
Yangtze River Delta			
Container	16	6,800,000	11.3%
Break-bulk	5	6,550,000 tons	72.4%
Southeast Coast and others			
Container	8	4,300,000	7.1%
Break-bulk	3	2,500,000 tons	27.6%
Pearl River Delta			
Container	23	19,500,000	32.3%
Overseas			
Container	18	10,300,000	17.1%
Total number of container berths/ Annual handling capacity	99	60,300,000	
Total number of break-bulk berths/ Annual handling capacity	8	9,050,000 tons	
Total number of automobile berths/ Annual handling capacity	2	600,000 vehicles	
Total number of terminal berths	109		

Annual Handling Capacity Increased by 8.7% to 60,300,000 TEU

As of 31st December 2012, there were 99 berths (2011: 93) under the Group's operating container terminals and the total annual handling capacity was 60,300,000 TEU (2011: 55,450,000 TEU). There were eight break-bulk berths (2011: eight), with a total annual handling capacity of 9,050,000 tons (2011: 9,050,000 tons).

On 19th December 2012, COSCO Pacific announced the establishment of a joint-venture company with China Shipping Terminal Development (Hong Kong) Limited and China Merchants Holdings (International) Company Limited. The joint-venture company signed a share sale and purchase agreement with Yang Ming Marine Transport Corporation ("Yang Ming Marine") to acquire a 30% equity interest in Kao Ming Terminal, a subsidiary terminal company in which Yang Ming Marine has a controlling stake. The consideration was US\$135,000,000. Each party of the joint-venture company ultimately holds

a 10% effective interest in Kao Ming Terminal. The share acquisition was completed on 27th December 2012.

Kao Ming Terminal is the first phase of "Port of Kaohsiung's Intercontinental Container Terminal" in Taiwan. The terminal will be developed with four 100,000-ton berths, a total area of 748,000 square metres, a quay length of 1,500 metres and a depth of 16.5 metres. Developed in two phases, phase one of the terminal was put into operation in January 2011 with two berths, a quay length of 960 metres and a total annual handling capacity of 1,400,000 TEU. The container throughput was about 1,080,000

TEU in the first year of operation. Construction of the remaining two berths started in 2012 and they are expected to start operation in 2014, when the total annual capacity of the terminal will increase to 2,800,000 TEU.

In 2012, newly-added annual handling capacity reached 4,850,000 TEU, of which 3,850,000 TEU was contributed by six new berths. These included two at Xiamen Ocean Gate Terminal (1,400,000 TEU), one at Dalian Port Terminal (850,000 TEU), one at Yangzhou Yuanyang Terminal (200,000 TEU) and two at Kao Ming Terminal (1,400,000 TEU). The completion of the upgrading of Pier 2 at Piraeus Terminal increased annual handling capacity by 1,000,000 TEU.

Annual Handling Capacity in 2013 will Reach 63,100,000 TEU, up 4.6%

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 existing terminals to boost efficiency. This has strengthened our competitiveness and given momentum to our business growth.

On 27th October 2012, COSCO Pacific entered into a framework agreement with Shanghai Zhenhua Heavy Industrial Co., Ltd. regarding a fully automated terminal loading and unloading project. Upon completion

of the project, Xiamen Ocean Gate Terminal will be the first terminal installed with a fourth-generation fully automated terminal loading and unloading system, which has been developed in China.

In August 2012, COSCO Pacific increased its stake in Quan Zhou Pacific Terminal from 71.43% to 82.35%, through a capital injection of approximately RMB360,000,000 (equivalent to approximately US\$57,000,000).

On 24th January 2013, the Group and COSCO, the ultimate controlling shareholder of the Company, entered into an equity transfer agreement pursuant to which COSCO Pacific will acquire a 39.04% equity interest



in Taicang Terminal from COSCO. Consideration for the acquisition is approximately RMB323,109,000 (equivalent to approximately US\$51,400,000). Located in the Suzhou city region of Jiangsu Province in China, Taicang Terminal has two dedicated container berths and two break-bulk berths, with a quay length of 930 metres and a port land width of 1,000 metres. The annual handling capacity for container and break-bulk cargos is 550,000 TEU and 4,000,000 tons respectively. The acquisition will enhance the Group's terminal business market share as well as diversify its terminal business in Yangtze River Delta region. The transaction is expected to complete in the first half of 2013.

On 25th February 2013, Xiamen Ocean Gate Terminal executed an equity transfer agreement to acquire a 100% equity interest in Xiamen Haitou Tongda Terminal Co., Ltd. ("Xiamen Haitou Tongda Terminal"). Consideration for the acquisition is RMB205,864,000 (equivalent to approximately US\$32,800,000). Xiamen Haitou Tongda Terminal owns and operates Berth 13, a break-bulk berth at the Haicang port area of Xiamen Port. Berth 13 is in trial operation, with an annual handling capacity of 4,000,000 tons and a quay length of 298 metres. Adjacent

The Group began two terminal projects in early 2013. The first involved the acquisition of a 39.04% equity interest in Taicang Terminal from COSCO, further strengthening the Group's flagship status within the terminal business of COSCO. The Group also successfully acquired Berth 13 for break-bulk cargo at the Haicang port area of Xiamen Port to diversify terminal investment.

Estimated newly-added annual handling capacity in 2013

Terminals	No. of berths	Annual handling capacity (TEU)	Operation commenced
Ningbo Yuan Dong Terminal	2	1,200,000	1st Quarter
Jinjiang Pacific Terminal	1	500,000	2nd half
Piraeus Terminal	1	550,000	2nd half
Taicang Terminal	2	550,000	–
	2	4,000,000 tons	–
Xiamen Ocean Gate Terminal	1	4,000,000 tons	–
Total	6	2,800,000	
	3	8,000,000 tons	

to Berth 14 of Xiamen Ocean Gate Terminal, it allows Berth 13 to share human resources, stacking sites and equipment of the terminal and thus create business synergies. It will also enable Xiamen Ocean Gate Terminal to diversify its business and accelerate its business development. The transaction is expected to complete in the first half of 2013.

Construction of Pier 3 of Piraeus Terminal started in the fourth quarter of 2011. Pier 3 will provide an additional 1,100,000 TEU of annual handling capacity for Piraeus Terminal after the completion of construction. One berth (550,000 TEU) is expected to commence operation in the second half of 2013.



Stable throughput growth will mainly come from organic growth and new capacity added in 2012 and 2013.

With a total annual handling capacity of 1,200,000 TEU, Berths 10 and 11 of the phase 5 container terminal in the Beilun port district of Ningbo Port, constructed and operated by Ningbo Yuan Dong Terminal, are expected to commence operation in the first quarter of 2013. Ultimately, the total annual handling capacity and number of berths at the terminal will reach 3,000,000 TEU and five berths respectively.

The Group estimates the newly-added annual handling capacity in 2013 will reach 2,800,000 TEU and 8,000,000 tons, contributed by Ningbo Yuan Dong Terminal (1,200,000 TEU), Jinjiang Pacific Terminal (500,000 TEU), Pier 3 of Piraeus Terminal (550,000 TEU), Taicang Terminal (550,000 TEU and 4,000,000 tons) and Xiamen Ocean Gate Terminal (4,000,000 tons).

2013 Throughput to Maintain Stable Growth

Looking at the throughput of the Group's terminal business in 2013, we expect stable growth to be maintained. However, the pace of growth is expected to slacken when compared with 2012. Growth will mainly come from the organic growth of existing terminals, while handling capacity added in 2012 and 2013 will also provide growth momentum.

Terminal tariffs in mainland China are expected to be generally stable in 2013, while the Group's terminal business in mainland China will continue to be impacted by upward pressure on operating costs, rises in income tax for some mature terminals, as well as the relatively high cost generated by a new terminal in the preliminary stages of operation.

Terminal portfolio¹

Terminal companies	Shareholding	No. of Berth	Depth (m)	Annual handling capacity (TEU)
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 - 17.0	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		28		9,000,000
Shanghai Pudong International Container Terminals Limited	30%	3	12.0	2,300,000
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
Southeast Coast and Others		18		7,600,000
Quan Zhou Pacific Container Terminal Co., Ltd.	82.35%	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
Kao Ming Container Terminal Corporation	10%	4	16.5	2,800,000
Pearl River Delta		23		19,500,000
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 - 16.5	9,000,000
Guangzhou South China Oceangate Container Terminal Co., Ltd.	39%	6	15.5 - 16.0	4,200,000
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		73,250,000
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

Notes

1. The terminal portfolio includes all terminal projects for which agreements have been signed on or before 31st December 2012. It includes operating and non-operating terminal companies, berths and annual handling capacity.
2. The Group has a 10% effective interest in Shanghai Terminal with ten container berths of 3,700,000 TEU annual handling capacity. 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"). 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.