
Collecting the best from
over a wide area.

BUILDING

The team at COSCO Pacific strives to become the world's leading terminal operator and to help our customers capture the opportunities in global trade. Our goals? To promote the continuous growth of all staff members, create shareholder value and ensure a long-term win-win scenario.

FOCUS ON STRENGTH TO CAPTURE GROWTH OPPORTUNITIES

"COSCO Pacific set a clear direction for business development to focus on our strengths in 2013. Divesting the container manufacturing business allows the Company to concentrate on the development of its terminals and container leasing businesses. This restructuring has strengthened our core competence and financial position, which will enable us to capture the opportunity for future business growth."

Dear Shareholders,

On behalf of the board of directors ("Board") of the Company, I am pleased to report to you the Company's final results for 2013.

During the year, the global economic recovery remained fragile. As a result, the growth in volume of world container traffic and container throughput declined to 3.1% (2012: 4.4%) and 3.3% (2012: 4.6%) respectively. The slowdown gradually increased competition in the terminals and container leasing markets. China's port industry experienced a profit margin squeeze due to rising cost pressure, as the increase in operating costs exceeded growth in revenue. The gross profit margin of the container leasing industry also came under pressure due to a decline in container prices and rental yields. In order to meet the challenge of rising competition, the Group strengthened its marketing, thus achieving stable business growth. During the year, the Group's total container throughput rose 10.1% to 61,284,891 TEU and the container fleet size grew 1.8% to 1,888,200 TEU.

For the year 2013, profit attributable to equity holders of the Company increased 105.3% to US$702,676,000. In June 2013, the Company divested its 21.8% equity interest in CIMC for a total consideration of US$1,219,789,000 ("Divestment" or "Transaction"). The disposal recorded a net gain of US$393,411,000, contributing to the Company's significant profit growth. Net profit contributed by CIMC from January to May 2013 amounted to US$23,059,000, down 62.7% when compared to the full year contribution of US$61,895,000 in 2012. Excluding these two factors, the Group's profit attributable to equity holders from continuing operations rose 2.1% to US$286,206,000.

During the year, the earnings per share of the Company rose 99.4% to US24.95 cents (2012: US12.51 cents). The Board recommends a final dividend of HK15.0 cents per share (2012: HK18.3 cents). Thus the full-year dividend will be HK77.4 cents (2012: HK 38.8 cents) per share with the payout ratio 40.0% (2012: 40.0%).

FOCUS ON STRENGTH:
Focus on the Development of Terminals and Container Leasing Businesses

Net proceeds from the Divestment will be used to expand the Group's terminals and container leasing businesses, and will further improve its cash flow and gearing ratio. The Transaction was approved by independent shareholders with 99.87% of votes in favour at the Special General Meeting held on 13 June 2013. On behalf of COSCO Pacific, I would like to express my sincere and special thanks to our shareholders for the trust and support given to the Company.

The Transaction enhanced the Group's financial position. As at 31 December 2013, the Group's cash on hand increased significantly by 45.7% to US$1,237,551,000. The net debt-to-total equity ratio decreased 24.9 percentage points to 16.7%. Interest coverage increased to 9.9 times (2012: 5.9 times). This healthy financial position provides a solid foundation to support the Group's future business development.

The Group applied its efforts to consolidating its leading positions in the world's container terminal operators and container leasing companies. During the year, total capital expenditure for our two core businesses amounted to US$679,963,000 of which 57.5% was for terminals and 42.5% was for container leasing. Capital expenditure for terminals amounted to US$391,209,000, which was used to upgrade terminal facilities and purchase terminal equipment so as to enhance handling efficiency and competitiveness. We also continued to further expand our terminal business through acquisitions. Capital expenditure for container leasing amounted to US$288,754,000, for the purchase of 151,500 TEU of new containers.

The Group continued to build a terminal portfolio with a strong presence in China while expanding the network overseas. During the year, the Group acquired two terminal projects in mainland China, namely 70% effective interest in Xiamen Tongda Terminal and 39.04% equity interest in Taicang Terminal. The Group also invested a 25% equity interest in a joint venture to operate an iron ore terminal in Dongjiakou port at Qingdao. The joint-venture company was established in January 2014. In addition, the Group acquired 40% effective interest in Asia Container Terminal in Hong Kong in March 2014. These acquisitions strengthen the Group's ability to achieve sustainable growth in the terminal business. They have also enhanced our diversified terminal portfolio.

Overseas, Piraeus Terminal is an example of the Group's successful terminal operations. It is strategically located in a prime region of the Mediterranean and provides efficient container handling services to its customers. It has become the major hub in the eastern Mediterranean region for international shipping lines. We will further enhance its container handling capability so as to provide an even higher quality of terminal services to its customers.

The Group has implemented a prudent strategy to develop its container leasing business. In order to strike a balance between return on investment and risk, we have expanded our container fleet in a conservative way. As at 31 December 2013, the container fleet capacity reached 1,888,200 TEU of which owned containers,

managed containers, and sale-and-leaseback containers accounted for 57.5%, 29.3%, and 13.2% respectively. The fleet provides comprehensive container leasing and management services to the Group's customers. Long-term leasing revenue accounted for 95.5% of total leasing revenue and continued to be a stable source of income for the Group in 2013.

CAPTURE GROWTH OPPORTUNITIES: Enhance Core Competence to Capture Business Growth Opportunities

According to the forecast from Drewry Shipping Consultants Limited ("Drewry"), the growth of global container throughput will increase 4.2% to 670,500,000 TEU and is expected to accelerate when compared with 3.1% growth in 2013. The Group is strengthening its marketing team and widening the scope of its marketing plan so as to support business growth in terminals. The market is seeing an increasing number of shipping companies setting up strategic alliances. It is still difficult to evaluate fully how these alliances will affect the ports industry in terms of policies relating to the selection of ports of call. However, the Group is confident of strengthening its partnerships with customers by providing high quality terminal services.

Currently, over 600 shipping routes call at the terminals in the Group's portfolio, representing a global shipping network connecting major regions of the world. Furthermore, the Group's terminals located at the ports of Hong Kong, Shenzhen, Guangzhou, Shanghai, Ningbo, Qingdao, Tianjin, Dalian, Xiamen, Piraeus, Port Said, Singapore and Antwerp are all capable of loading and unloading large container vessels, as they are well-equipped, highly efficient and have sufficient site capacity. Hence, the Group is confident that its terminals will continue to be frequent ports of call for international container shipping companies and alliances.

The Group believes that another key success factor in its marketing is to provide value-added terminal services to customers. We are moving forward to attract more container trunk routes and welcoming container non-trunk routes to call at the Group's terminals. At the same time, we are providing strong support to customers willing to establish their logistics distribution centres in the Group's port areas. For example, Hewlett-Packard Development Company, L.P. and Huawei Technologies Co., Ltd. have selected the Group's Piraeus Terminal to establish their logistics distribution centres in Greece. Their choices reflected the fact that Piraeus Terminal is the first terminal in the eastern Mediterranean with modern facilities capable of handling giant container vessels of 18,000 TEU. In addition, the terminal provides access to the logistics supply chain to Europe by connecting to the national railway system in Greece.

PROSPECTS: Opportunity and Challenge

Looking ahead, the economic recovery in Europe and the United States is expected to gather momentum, which is the key driver for accelerating growth in the global economy in 2014. China's GDP growth is expected to remain stable at approximately 7.5% and will play an important role in supporting global economic growth. The International Monetary Fund ("IMF") forecasts that world GDP growth will increase 0.7 percentage points to 3.7%. As the economic recovery gathers momentum, developed countries will tighten monetary policy. This tightening of liquidity will, however, bring challenges to emerging markets that may affect global economic growth.

Facing these uncertainties, the capital market remains cautiously optimistic regarding the economic outlook for Europe and the US. Furthermore, improved European economic performance will play an important role in the recovery of the shipping industry. Most of the large container vessels are being operated on the container trunk routes between the Far East and Europe. A rebound in volume on these routes would facilitate an increase in the utilisation of shipping slot capacity, in turn helping to improve shipping companies' business performance and benefiting the terminals and container leasing industries.

As a global leader in these industries, the Group is thus well positioned to benefit from the economic recovery in Europe and the US. As at 31 December 2013, COSCO Pacific's terminal portfolio consisted of 104 container berths located at 21 ports around the world. Total container throughput reached 61,284,891 TEU in 2013, representing about 9% of the global market share. In relation to total throughput, the volume of handling on international container routes accounted for about 80% while the volume of handling on routes linking Asia to Europe, the Mediterranean and the US accounted for about 40%. Therefore, a pick-up in this substantial area will enhance the Group's overall throughput performance. It will also help to develop the Group's container leasing business. Going forward, the Group will proactively facilitate development projects at its terminals and container leasing businesses. We will also adjust the timing and scope of our investments in response to changes in market conditions.

Regarding the development of the terminals business, the Group took the opportunity to acquire 40% equity interest in Asia Container Terminal for a total consideration of HK$1,648,000,000 (equivalent to approximately US$212,335,000) in March 2014. The terminal is located at Terminal 8 west at Kwai Chung in Hong Kong, adjacent to Terminal 8 east, which is being operated by the Group in the form of the COSCO – HIT Terminal. The acquisition

will increase the Group's market share in Hong Kong. Both terminals will enjoy enhanced operating flexibility and efficiency. This acquisition creates a synergy that is a key factor in attracting mega container vessels to call and thus is expected to enhance both terminals' business growth and profitability.

Looking at container leasing business development, according to Drewry, the global container shipping capacity is expected to increase 5.8% to 18,286,000 TEU in 2014, which will trigger demand for new containers and container leasing services. The price of new containers has seen improvement since early 2014. However, the rental yield remains low. In planning the purchase of new containers in 2014, we will therefore continue to take a prudent approach aligned with market demand.

Lastly, I would like to express my most sincere gratitude to our shareholders and business partners for their strong support. My special thanks go to the staff of COSCO Pacific for their dedicated effort and substantial contribution to the Company's business development. I firmly believe that under the Board's supervision, the management of COSCO Pacific will lead all of our staff to strive to achieve our common goal of creating value for our shareholders.

LI Yunpeng
Chairman
25 March 2014

Sources of economic and market consensus:
1. International Monetary Fund (January 2014)
2. Drewry Maritime Research (December 2013)