TARGETED STRATEGIC GOALS FOR BRIGHT PROSPECTS

With a broad vision, COSCO Pacific keeps abreast of global market dynamics, sets a series of goals and strategies, and continuously optimises management efficiency to achieve a business model that covers the entire industry chain. By thus leading the shipping industry in the drive for higher efficiency, we unlock our corporate value.

CHAIRMAN'S STATEMENT

COSCO Pacific is committed to cooperating with the national strategy of "One Belt, One Road", carrying out research on the opportunities the full transportation chain along the Yangtze River Economic Belt offers, and leveraging the relationship with COSCO and its subsidiaries to create a win-win situation.

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 2014.

The global economy saw diverse developments during the year. China's economic and trade growth slowed down while in the United States, a number of economic indicators were stable or showed growth. In Europe, the economic recovery remained sluggish, while the emerging markets suffered currency depreciation as a consequence of capital outflows. The US dollar has been strengthening in the face of volatile oil prices and geopolitical instability around the world. These factors have hindered a solid recovery in the global economy and the shipping industry.

The macro environment has thus been varied, while the operating environment of the terminals business has presented challenges. Nonetheless, with our high level of experience in the terminals business, we have improved the operational efficiency of our terminals further, effectively relieving the pressure of rising costs in port operations through efficient management and the upgrading of equipment. Our core terminals business achieved steady progress on the back of strong revenue growth at our overseas terminals.

Regarding our container leasing business, prices for containers peaked in 2011 and entered a downturn because of oversupply. However, the Group's container leasing business remained firm in 2014 and the prices and lease rates of containers stabilised.

Excluding the non-recurring gains from the disposal of CIMC and the share of profit from CIMC in 2013, profit attributable to equity holders of the Company increased 2.3% to US$292,759,000 (2013: US$286,206,000). Including this discontinued operation, profit attributable to equity holders of the Company was down 58.3% year-on-year (2013: US$702,676,000).

During the year, excluding discontinued operation, the Group's earnings per share were down 1.5% to US10.01 cents (2013: US10.16 cents). The Board is recommending a final dividend of HK15.4 cents per share (2013: HK15.0 cents). Thus the full-year dividend will be HK31.0 cents (2013: HK77.4 cents, including special interim dividend of HK 43.8 cents) per share, with the payout ratio at 40.0% (2013: 40.0%). The Group will continue to pursue a stable dividend policy and exercise the proper use of cash to ensure it is adequately funded for future investments and stable development, in order to generate sustainable value for shareholders.

Enhancing Sustainability

As the fourth largest container terminal operator in the world, the Group accounts for about 9.3% of global market share, when measured by total throughput. For the container leasing business, the Group's container fleet reached 1,907,778 TEU, accounting for approximately 11.0% of the global market, and hence we remained one of the top five container leasing companies in the world.

The ports industry is a critical part of the global supply chain and fundamental to the global economy. More than 80% of foreign trade cargoes use maritime transport, making it irreplaceable in the foreseeable future. COSCO, the ultimate parent company of COSCO Pacific, is one of the world's largest shipping companies. To exploit the synergies offered by our parent's fleet size, COSCO Pacific will strive to expand its terminals business and actively develop a business model offering comprehensive logistic chain solutions, maximising value for customers.

COSCO Pacific pursues a well-balanced terminal investment strategy. In the future, we will optimise our business model in managing those terminals where we have controlling equity stakes in order to raise their profit contributions. Meanwhile, the Group will pay close attention to developments in the global port network and respond to developments in the macro environment. The Group will also optimise its terminal service networks to ensure sustainable profit growth.

The operating environment of the container leasing business faces many challenges. However, our subsidiary Florens has a high quality, very efficient customer-centric team. It also has a worldwide sales and service network with offices or subsidiaries in 13 locations across all five continents, with established connections to some 230 container depots. These give the Group advantages in responding to market changes, and we will use them to seek ways to upgrade and transform the business so as to strengthen our competitive edge. We will reinforce our focus on advanced and flexible business practices to maximise profitability, such as adjusting the mix of owned containers, sale-and-managed containers, sale-and-leaseback containers, improving the asset turnover ratio and strengthening risk management.

Improving Governance Internally, Emphasising Corporate Social Responsibility Externally

In our pursuit of excellence, we are committed to raising our level of corporate governance and we place particular emphasis on transparency. The Board believes that sound corporate governance can increase enterprise value effectively over the long term. As a constituent member of the Hang Seng Corporate Sustainability Benchmark Index, COSCO Pacific has decided to publish a Corporate Sustainability Report this year, to strengthen its level of governance and information disclosure regarding corporate social responsibility and sustainable development.

We always pay attention to our relationship with the environment and the community, and to how our operations interact with them. While focusing on business development, the Group considers the sustainability of the environment, community issues, operational safety and risk management in all its decisions, in accordance with China's "scientific approach to development". In recognition of our tireless efforts in relation to corporate governance and investor relations, during 2014 the Group received several awards, including "Special Mention in the H-share Companies and Other Mainland Enterprises Category" in the "2014 Best Corporate Governance Disclosure Awards" from the Hong Kong Institute of Certified Public Accountants and the "Golden Award for Financial Performance, Environmental Responsibility and Investor Relations" from The Asset magazine.

Accurately Judge the Situation, Proactively Seize Opportunities

According to a forecast by the International Monetary Fund ("IMF"), world GDP will increase by 3.5% in 2015. China, the United States and Europe will exert the most significant influence on the global economy. The European Central Bank announced "quantitative easing" in January 2015, which is expected to stimulate the Eurozone economies. On the other hand, China is implementing reforms in its economic structure, and its economy is entering into a "new normal" of mid-to-high single digit growth.

The operating environment of the shipping industry is also changing. According to a survey by Shipping Exchange Bulletin at the end of 2014, nearly 70% of respondents considered the "new normal" to be characterised by "excessive capacity" and "a slowdown in demand". In this "new normal", the pattern of alliances and cooperation among shipping lines is changing. The Group is paying close attention to this situation and its impact on the ports industry. Nevertheless, according to a forecast made by Drewry Shipping Consultants Limited ("Drewry"), lower oil prices will reduce the operating costs of shipping lines, having a positive effect on the Group's main business.

The "One Belt, One Road" initiative from by the Central Government of China is an integrated strategy to support long-term economic exchange between Asia and Europe. Negotiations for a free trade agreement between China and South Korea are also progressing, laying a solid foundation for a multilateral regional trade platform for China and the Asia Pacific region. It is therefore reasonable to expect trade relations between China and Asian countries to become closer, significantly benefiting terminal throughput growth.

In 2014, the Central Government also introduced a number of policies designed to support the shipping industry. Among them, the Ministry of Transport and the National Development and Reform Commission jointly issued a circular to remove price control on competition port services, suggesting that policies will be improved and port service charges will become more market driven. This development will play a decisive role in resource allocation in the market, promote the healthy development of China's port industry and underpin the stability of the economy and foreign trade.

Port tariffs in China are relatively low when compared to those overseas, while shipping companies' operating costs have trended lower following the slump in oil prices in 2014. These will be positive factors for Chinese ports when negotiating prices. Moreover, shipping companies' increasing emphasis on the quality and efficiency of terminal services will generate opportunities for the Group to increase market share.

The liberalisation of port service charges in China is expected to increase the pricing power of those ports with faster throughput growth, higher utilisation rates and greater integration with international markets. Since the Group's terminals have maintained relatively high average utilisation rates, the new policy is considered a positive development for the Group's operations and profitability.

China's 13th Five-Year Plan will be announced in 2015, following which the "National Costal Port Layout Plan" and "National Water Safety Surveillance and Rescue System Layout Plan" will be revised. We are looking forward to reviewing the terminal-related policies in the Five-Year Plan.

With a comprehensive and growing terminal network and many years of experience, the Group has focused on efficient management and improved service quality to create an innovative service model that lowers operating costs

and raises operational efficiency for shipping companies. At the same time, we pay close attention to investment opportunities, in order to grow our business quickly and flexibly. This allows the Group to maximise profitability through using the Group's assets effectively in a changing macro-economic environment.

Listed for 20 Years, Building Mutual Trust and Support

I joined COSCO in 1990, serving in various positions and becoming a non-executive director of COSCO Pacific in August 2011. I am honoured to have been appointed Chairman of the Board of COSCO Pacific this year. I am committed to cooperating with the national strategy of "One Belt, One Road", carrying out research on the opportunities the full transportation chain along the Yangtze River Economic Belt offers, and leveraging the relationship with COSCO and its subsidiaries to create a win-win situation.

Since COSCO Pacific was listed in 1994 on the main board of the Hong Kong Stock Exchange, the Group's value has risen consistently, while over the 20 years its operating efficiency and corporate governance has steadily been enhanced. This reflects the influence of the leadership of previous Boards of Directors, management and staff, especially the unremitting efforts of my predecessor as Chairman, Mr. Li Yunpeng. The Group will increase its efforts to become the world's leading terminal operator. As a highly experienced company in the terminals and container business, we will proactively address market changes, continue to optimise our business model, prudently implement our investment plans, improve our strategic position and unlock the synergies between the ports industry and the shipping sector. We are committed to providing service of even greater quality and efficiency to our customers, creating a platform on which our staff can exercise their talent to the full, thereby generating higher returns for our shareholders.

In addition, the Board was notified by Mr. Tim Freshwater that he would retire as Independent Non-executive Director at the forthcoming annual general meeting to be held in May. Mr. Freshwater has unmatched experience and expertise in the fields of law, investment banking as well as corporate banking. Mr. Freshwater has joined the Board since June 2005 and served as a significant and contributory catalyst of the Board especially for the development of our corporate governance and formulation of our sustainable corporate strategy. I would like to take this opportunity to express my heartfelt thanks to Mr. Freshwater for his continued effort, commitment and invaluable contributions during his office.

Finally, I wish to express my sincere gratitude to our shareholders for their trust, and the long-term support and care shown to COSCO Pacific by COSCO, China COSCO and our sister companies, partners and other stakeholders.

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WAN Min
Chairman
24 March 2015