



COSCO Pacific has a presence around the globe. We analyse factors such as industry trends, the prevailing operating environment, innovative equipment and long-term cost efficiency for each operation in each location, while enhancing the Group's management and operational efficiency, so as to strengthen the core competence of our two businesses.



CAPTURE MARKET
DYNAMICS AND
ENHANCE
EFFICIENCY

1 Outperforming the Economy through Greater Efficiency

Although the measures implemented by central banks have curbed large scale market turmoil, the global economy continues to face significant uncertainties. Economic activity has remained weak in the context of enduring negative market sentiment, a situation often described as the “new normal”. The IMF estimated the global economy grew by 3.3% in 2014, the same as in 2013. The growth of global trade slowed by 0.3 percentage points as compared to 2013 to 3.1% in 2014. Despite this, the growth in global port container throughput improved. According to the forecast made by Drewry in December 2014, the growth in global container handling in 2014 increased by 1.1 percentage points to 5.0% from 3.9% in 2013.

Hindered by the slow recovery of the global economy, China’s foreign trade has entered a period of more modest growth. In 2014, the growth in China’s exports slowed down markedly to 4.9% (2013: +7.9%). Meanwhile,

affected by the relatively slow growth of the domestic economy, China’s imports fell by 0.6% (2013: +7.3%). Throughput at Chinese ports was stable in 2014. According to the China Ports

and Harbours Association, container throughput at Chinese ports recorded year-on-year growth of about 6.1% in 2014 (2013: +6.7%). Thanks to increased global container traffic, the container throughput growth of major Chinese ports accelerated as compared to 2013. Throughput at Shanghai port grew by 5.0% (2013: +3.3%) and Shenzhen port by 3.3% (2013: +1.5%), while Ningbo port saw significant growth of 12.1% (2013: +7.3%).

Container Throughput of Top 10 Global Ports

Rank	Port	Throughput (TEU)	Year-on-year change
1	Shanghai	35,285,000	+5.0%
2	Singapore	33,869,000	+4.0%
3	Shenzhen	24,037,000	+3.3%
4	Hong Kong	22,226,000	-0.6%
5	Ningbo	19,450,000	+12.1%
6	Busan	18,683,000	+5.6%
7	Qingdao	16,580,000	+6.8%
8	Guangzhou	16,378,000	+7.0%
9	Dubai	15,249,000	+11.8%
10	Tianjin	14,061,000	+8.1%

Source: Hong Kong Port Development Council

Container Throughput of Top 10 Chinese Ports

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1	Shanghai	35,285,000	+5.0%
2	Shenzhen	24,037,000	+3.3%
3	Ningbo	19,450,000	+12.1%
4	Qingdao	16,580,000	+6.8%
5	Guangzhou	16,378,000	+7.0%
6	Tianjin	14,061,000	+8.1%
7	Dalian	10,128,000	+1.1%
8	Xiamen	8,572,000	+7.1%
9	Yingkou	5,768,000	+8.8%
10	Lianyungang	5,005,000	-8.8%

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



Optimisation of Operations through Sustainable Volume Growth

In 2014, container throughput at the Group's terminals saw sustained growth. Equity throughput rose by 10.8% to 19,047,214 TEU (2013: 17,196,297 TEU). Profit from the terminals business rose by 18.3% to US\$220,978,000 (2013:

US\$186,767,000) thanks to the optimisation of terminal operations.

Overseas terminals performed satisfactorily during the year. Growth in profit was seen at all four overseas terminal companies, principally thanks to increased throughput. The business of Piraeus Terminal in Greece thrived and its profit rose 25.7% to US\$28,980,000 (2013:

US\$23,051,000). The profit from Suez Canal Terminal in Egypt rose 8.0% to US\$11,082,000 (2013: US\$10,261,000). A turnaround was achieved at Antwerp Terminal in Belgium thanks to the continued rapid growth in throughput during the year. The profit from the terminal was US\$4,469,000 (2013: a loss of US\$319,000).

2 Balanced Growth in Line with Expectations

Growth in profits was also seen at the vast majority of the Group's terminal companies in China. Among these, the performance of Qingdao Qianwan Terminal was the most marked. Thanks to the increased number of containers and growth in average revenue per TEU, profit from the terminal rose 32.2% to US\$39,034,000

Operating efficiency improved

Equity throughput growth

+10.8%

Profit growth

+18.3%

(2013: US\$29,521,000). Profits at Shanghai Pudong Terminal and COSCO-HIT Terminal rose by 5.1% to US\$20,689,000 (2013: US\$19,686,000) and by 1.8% to US\$16,487,000 (2013: US\$16,203,000) respectively, while profits at Ningbo Yuan Dong Terminal and Guangzhou South China Oceangate Terminal rose by 5.6% to US\$10,523,000 (2013: US\$9,965,000) and by 8.0% to US\$8,948,000 (2013: US\$8,282,000) respectively.

Xiamen Ocean Gate Terminal is still in a ramp-up phase. Its operations have continued to improve since the commencement of operations in May 2012. Throughput grew satisfactorily and the tariff increased during the year. Including Xiamen Tongda Terminal which was acquired in March 2013, the loss was significantly narrowed, falling by 51.4% to US\$6,858,000 (2013: a loss of US\$14,112,000).

However, expense on income tax for Yantian Terminals increased due to the expiry of the 50% income tax relief for Phase III of Yantian Terminals. This, together with increased operating costs, saw profit at Yantian Terminals drop by 9.9% to US\$49,446,000

(2013: US\$54,906,000). This decrease partially offset the profit growth of other terminal companies.

On 13 March 2014, the Group acquired a 40% effective equity interest in Asia Container Terminal, whose profit and throughput have consequently been included in the Group's accounts since 14 March 2014. The acquired company contributed a profit of US\$1,599,000 and generated shareholder's loan interest income from Asia Container Terminal amounting to US\$2,916,000 to the Group during the year.

Revenues from Terminals Business Remain on the Increase

Looking at the full-year performance, revenue from the terminals business of COSCO Pacific reached US\$516,993,000 (2013: US\$455,071,000), up 13.6% over 2013. Revenue from the terminals business accounted for 59.4% (2013: 57.0%) of total Group revenue and the business remained the anchor of the Group's steady operations.

Growth in revenues was seen from all terminal subsidiaries in 2014. Piraeus Terminal, Guangzhou South China Oceangate Terminal and Xiamen Ocean Gate Terminal continued to drive the revenue growth of the Group's terminals business during the year. The revenue from Piraeus Terminal rose 14.8% to US\$178,466,000 (2013: US\$155,429,000). The revenue from

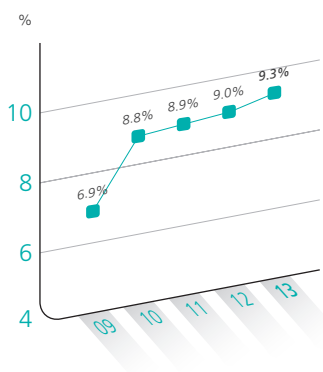
Guangzhou South China Oceangate rose 8.9% to US\$144,138,000 (2013: US\$132,329,000). Revenue generated by Xiamen Ocean Gate Terminal and Xiamen Tongda Terminal in aggregate amounted to US\$39,199,000 (2013: US\$19,275,000), representing a 103.4% increase.

Throughput Growth Exceeded Expectations

According to Drewry's "Global Container Terminal Operators Annual Review and Forecast" published in September 2014, the total container throughput of COSCO Pacific's terminals accounted for approximately 9.3% of the world total, up 0.3 percentage points year-on-year. Hence, COSCO Pacific's ranking as No. 4 among the world's container terminal operators has strengthened.



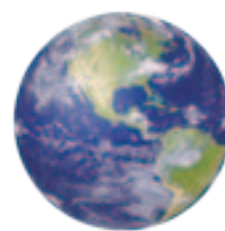
Global Market Share



The total throughput of the Group reached 67,326,122 TEU (2013: 61,284,891 TEU), up 9.9%, surpassing the mid-single-digit growth target set at the beginning of the year by management. This sustained growth is principally attributable to the growth

in throughput at Yantian Terminals, Qingdao Qianwan Terminal and the overseas terminals, all of which exceeded expectations, along with the additional throughput brought by the newly acquired Asia Container Terminal. The equity throughput of the Group increased by 10.8% to 19,047,214 TEU (2013: 17,196,297 TEU), with its growth rate rising by 0.8 percentage points.

The Group's terminal companies in mainland China (excluding Hong Kong and Taiwan) handled 53,787,323 TEU (2013: 50,410,965 TEU) in total, accounting for 79.9% of the Group's total throughput. The growth was 6.7%, higher than the national average growth rate of approximately 6.1%.



Sustainable throughput growth leads to higher market share

3 Successful Marketing Drives Higher Throughput

Total Throughput by Region

	Throughput (TEU)	Year-on-year change(%)	Percentage of total(%)
Bohai Rim	25,130,274	+6.8	37.3
Yangtze River Delta	9,902,712	+4.1	14.7
Southeast Coast and others	3,767,499	+14.5	5.6
Pearl River Delta	19,099,473	+13.1	28.4
Overseas	9,426,164	+16.9	14.0
Total	67,326,122	+9.9	100.0

Equity Throughput by Region

	Throughput (TEU)	Year-on-year change(%)	Percentage of total(%)
Bohai Rim	4,833,944	+5.1	25.4
Yangtze River Delta	2,739,456	-0.7	14.4
Southeast Coast and others	2,027,394	+14.1	10.6
Pearl River Delta	4,791,258	+16.0	25.2
Overseas	4,655,162	+18.4	24.4
Total	19,047,214	+10.8	100.0

The throughput of the Bohai Rim region reached 25,130,274 TEU (2013: 23,534,240 TEU), an increase of 6.8% and accounting for 37.3% of the Group's total throughput. The throughput at Qingdao Qianwan Terminal reached 16,108,145 TEU (2013: 14,981,635 TEU), up 7.5%, and was driven by the increased number of vessels loading goods for export berthing at the terminals.

The throughput of the Yangtze River Delta region rose 4.1% to 9,902,712 TEU (2013: 9,513,006 TEU), accounting for 14.7% of the Group's total throughput. Thanks to the increases in shipping routes, shipping companies' additional services as well as the number of cargoes from transshipment, the throughput of Shanghai Pudong Terminal rose 5.7% to 2,373,620

TEU (2013: 2,246,026 TEU) during the year. Ningbo Yuan Dong Terminal enjoyed an expansion of shipping routes and organic volume growth in operational routes. Together with an increased volume of cargoes from vessel-to-vessel operations brought about by the success of marketing strategies and newly launched empty container transshipment management services for shipping companies, these developments saw the throughput of Ningbo Yuan Dong Terminal rise 14.5% to 3,214,703 TEU (2013: 2,806,406 TEU).

The combined throughput of the Southeast Coast and others reached 3,767,499 TEU (2013: 3,288,999 TEU), representing an increase of 14.5% and accounting for 5.6% of the Group's total throughput. Xiamen Ocean Gate Terminal was still in its ramp-up period, but with success in marketing and the optimisation of several shipping routes, its throughput surged 32.3% to 806,183 TEU (2013: 609,393 TEU). Thanks to the increased volume of cargoes from domestic transshipments, the throughput of Quan Zhou Pacific Terminal rose 6.4% to 1,160,480 TEU (2013: 1,090,660 TEU).

Total throughput

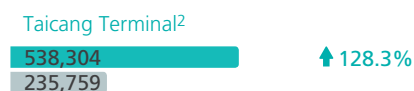
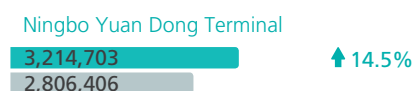
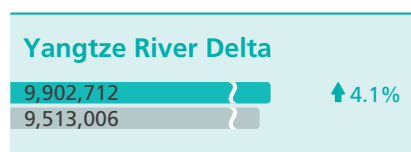
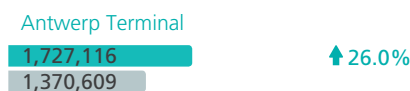
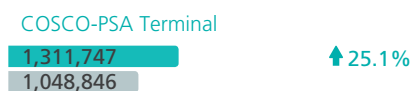
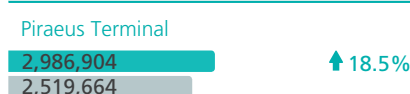
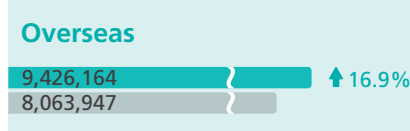
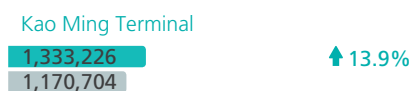
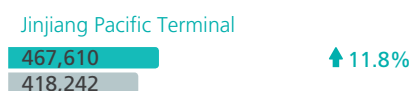
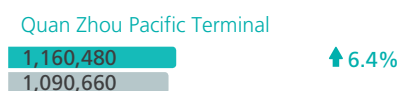
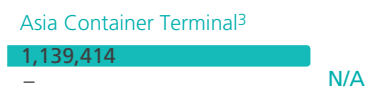
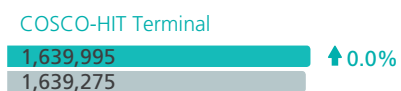
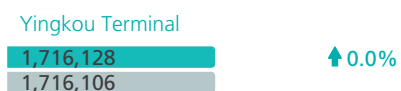
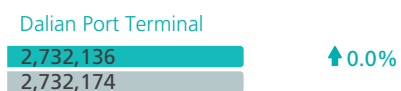
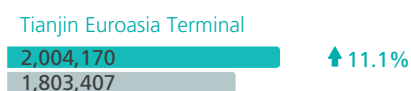
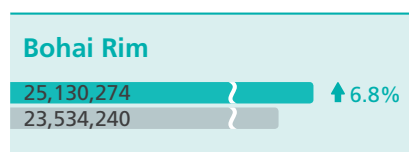
+9.9%

Throughput of Terminals

Total Container Throughput



Total Container Throughput in China (including Hong Kong & Taiwan)



Note:

- Throughput of Qingdao Qianwan Terminal includes the throughput of Qingdao Qianwan United Terminal and Qingdao Qianwan United Advance Terminal and these two terminals are joint ventures of Qingdao Qianwan Terminal. The throughput of the two terminals was 4,497,490 TEU (2013: 3,975,335 TEU) and 1,482,543 TEU (2013: 1,305,917 TEU) respectively.
- Throughput of Taicang Terminal is included since 1 August 2013.
- Throughput of Asia Container Terminals is included since 14 March 2014.
- The total throughput of bulk cargo in 2014 was 75,145,381 tons (2013: 40,436,547 tons), representing an increase of 85.8%. The bulk cargo throughput of Dongjiakou Ore Terminal is included since 1 March 2014, while its total throughput was 34,231,067 tons during the year. The throughput of Dalian Automobile Terminal reached 454,219 vehicles (2013: 358,227 vehicles), an increase of 26.8%.

■ 2014 (TEU)
■ 2013 (TEU)

4 Extending Service Offering to Expand Customer Base

Overseas terminals performed strongly

Throughput growth

+16.9%

Profit increased

+41.1%

The throughput in the Pearl River Delta region reached 19,099,473 TEU (2013: 16,884,699 TEU), representing an increase of 13.1% and accounting for 28.4% of the Group's total throughput. With increases in cargo volumes brought by transshipments and exports to the United States as well as a rise in the volume of empty containers, the throughput of Yantian Terminals rose 8.1% to 11,672,798 TEU (2013: 10,796,113 TEU). Guangzhou South China Oceangate Terminal was committed to enhancing its marketing and upgrading its services, and succeeded in increasing both shipping route callings and cargo volume during the year. The throughput of the terminal rose 4.4% to 4,647,266 TEU (2013: 4,449,311 TEU). Throughput at COSCO-HIT Terminal was maintained at 1,639,995 TEU (2013: 1,639,275 TEU). The profit and throughput of Asia Container Terminal have been included in the Group's accounts since 14 March 2014. The throughput contributed by the terminal to the Group was 1,139,414 TEU during the year.

The throughput of overseas terminals reached 9,426,164 TEU (2013: 8,063,947 TEU), representing an increase of 16.9% and accounting for 14.0% of the Group's total throughput. The efforts by Piraeus Terminal to expand market share yielded expected results, with its business continuing to grow and the customer mix further improved. Meanwhile, the terminal has also launched a sea-rail intermodal transport service, designed to expand its hinterland, which will further strengthen its core competence. The throughput of the terminal surged 18.5% to 2,986,904 TEU (2013: 2,519,664 TEU). Suez Canal Terminal in Egypt enjoyed an increase in shipping routes calling, enabling its throughput to reach 3,400,397 TEU (2013: 3,124,828 TEU), up 8.8%. With its operational efficiency optimised, Antwerp Terminal in Belgium has effectively absorbed the increasing volumes of cargo diverted to Antwerp Port from ports nearby, leading throughput to rise by 26.0% to 1,727,116 TEU (2013: 1,370,609 TEU). As COSCON increased its frequency of berthing, the volume of cargo increased and the throughput of COSCO-PSA Terminal surged 25.1% to 1,311,747 TEU (2013: 1,048,846 TEU).

Annual Handling Capacity Increased 4.8% to 65,750,000 TEU

As of 31 December 2014, there were 108 berths (2013: 104 berths) under the Group's operating container terminals and the total designed

annual handling capacity was 65,750,000 TEU (2013: 62,750,000 TEU). There were 13 bulk berths (2013: 11 berths) in operation, with a total annual handling capacity of 46,050,000 tons (2013: 17,050,000 tons). Newly-added handling capacity during the year included the two berths of Asia Container Terminal (1,600,000 TEU), two berths of Kao Ming Terminal (1,400,000 TEU) and two berths of Dongjiakou Ore Terminal (29,000,000 tons).

During the year, the Group focused on developing the terminals business to expand handling capacity through terminal asset acquisitions and the expansion of terminals in operation. Regarding terminal asset acquisitions, the Group acquired a 40% effective equity interest in Asia Container Terminal at a consideration of HK\$1,648,000,000 (equivalent to approximately US\$212,335,000) on 13 March 2014. Asia Container Terminal owns and operates Terminal 8 West, Kwai Chung, in Hong Kong, which is adjacent to COSCO-HIT Terminal. Following the acquisition, the two terminals form a combined 1,380-metre long contiguous quay length. This has greatly increased the flexibility of berthing for mega container vessels and provides more efficient services for customers through the scientific management and effective distribution of resources within the two terminals. A continuous focus on management efficiency is planned for 2015 in order to achieve further synergies.

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	29.5%
Bulk	2	29,000,000 tons	63.0%
Automobile	2	600,000 vehicles	100.0%
Yangtze River Delta			
Container	20	8,550,000	13.0%
Bulk	7	10,550,000 tons	22.9%
Southeast Coast and others			
Container	10	5,700,000	8.7%
Bulk	4	6,500,000 tons	14.1%
Pearl River Delta			
Container	25	21,100,000	32.1%
Overseas			
Container	19	11,000,000	16.7%
Total number of terminal berths in operation	123		
Total number of container berths/annual handling capacity	108	65,750,000	
Total number of bulk berths/annual handling capacity	13	46,050,000 tons	
Total number of automobile berths/annual handling capacity	2	600,000 vehicles	

In addition, the Group completed its investment of a 25% equity interest in Dongjiakou Ore Terminal at a consideration of US\$57,330,000 on 26 January 2014. The terminal's throughput and profit have been included in the Group's accounts since

1 March 2014. The investment, with its long-term upside potential, is in line with the terminal diversification strategy of COSCO Pacific. The remaining two berths of Kao Ming Terminal also commenced operations on 27 September 2014.

5 Corporate Value Creation through Efficient Management

Amendment to the Piraeus Terminal Concession Agreement became Effective after being ratified by the Hellenic Parliament

A significant development in respect of the expansion of terminals in operation was that the amendment agreement of the concession agreement signed by Piraeus Terminal and Piraeus Port Authority S.A., which became effective on 20 December 2014 after ratification by the Hellenic Parliament. Piraeus Terminal will enhance the operational capacity of Pier 2 and build the Western Part of Pier 3, involving a total investment of approximately Euro 230,000,000. A further 2,500,000 TEU, of which 1,900,000 TEU is from the Western Part of Pier 3, will thereby be added to the annual handling capacity of Piraeus Terminal. Piraeus Terminal held the inauguration ceremony for the construction of the Western Part of Pier 3 in late January 2015, with construction and installation of mechanical equipment

expected to be completed by 2021, bringing the terminal's annual handling capacity to 6,200,000 TEU.

The expansion project will further enhance the facilities and operating capacity of the container terminals in Piraeus Port, strengthen the port's position as an international transshipment hub and improve the revenue generating capacity of Piraeus Terminal.

Value Creation through Management Efficiency

Looking forward, the Group expects the throughput of the terminals business to maintain its stable organic growth path. The tax incentives for the mainland China terminals, which account for relatively high proportions of the Group's terminals business profit, have expired during the past two years. Meanwhile, the operations of Xiamen Ocean Gate Terminal have shown continuous improvement, which has narrowed the loss of the terminal. Thus, the Group expects increased cost pressures to be alleviated.

With a strong business built up over the Group's long history and balanced development driven by its core competence, the Group has shown resilience in its terminal operations throughout the prolonged period of economic turbulence. In facing the "new normal", the Group will adhere to its development strategies of upgrading the value of its terminal assets through the improvement of terminal management and service quality, the optimisation of terminal operations and the enhancement of profitability. Meanwhile, the Group will continue to expand its terminal network around the globe by capitalising on the opportunities from the initiatives of "One Belt, One Road" and the Yangtze River Economic Belt, seizing opportunities for potential new container hubs and keeping abreast of the investment opportunities in high-quality terminals, with a view to generating higher profits and returns at the terminals business.

Terminal Portfolio¹ (as of 31 December 2014)

Terminal companies	Share holdings	No. of berths	Design annual handling capacity (TEU)	Depth (m)
		41	23,850,000	
Bohai Rim		3	780,000 vehicles	
		2	29,000,000 tons	
Qingdao Qianwan Terminal	20%	11	6,500,000	17.5
Qingdao New Qianwan Terminal	16%	6	3,600,000	15.0 – 20.0
Qingdao Qianwan United Terminal	8%	7	3,950,000	17.0 – 20.0
Qingdao Qianwan United Advance Terminal	5.6%	2	1,300,000	17.0 – 20.0
Dongjiakou Ore Terminal	25%	2	29,000,000 tons	19.2 – 24.5
Dalian Port Terminal	20%	6	4,200,000	13.5 – 17.8
Dalian Automobile Terminal	30%	3	780,000 vehicles	11.0
Tianjin Five Continents Terminal	14%	4	1,500,000	16.5
Tianjin Euroasia Terminal	30%	3	1,800,000	16.5
Yingkou Terminal	50%	2	1,000,000	14.0
		25	9,550,000	
Yangtze River Delta		10	14,950,000 tons	
Shanghai Pudong Terminal	30%	3	2,300,000	12.0
Ningbo Yuan Dong Terminal	20%	5	3,000,000	17.0 – 22.0
Zhangjiagang Terminal	51%	3	1,000,000	10.0
Yangzhou Yuanyang Terminal	55.59%	2	700,000	12.0
		8	10,950,000 tons	8.0 – 12.0
Taicang Terminal	39.04%	2	550,000	12.5
		2	4,000,000 tons	12.5
Nanjing Longtan Terminal	20%	10	2,000,000	12.0
		13	7,600,000	
Southeast Coast and others		5	9,200,000 tons	
Quan Zhou Pacific Terminal	82.35%	3	1,200,000	7.0 – 15.1
		2	1,000,000 tons	5.1 – 9.6
Jinjiang Pacific Terminal	80%	2	800,000	9.5 – 14.8
		2	4,200,000 tons	7.3 – 9.1
Xiamen Ocean Gate Terminal	70%	4	2,800,000	17.0
Xiamen Tongda Terminal	70%	1	4,000,000 tons	16.5
Kao Ming Terminal	10%	4	2,800,000	16.5
		25	21,100,000	
Pearl River Delta		25	21,100,000	
COSCO-HIT Terminal	50%	2	1,800,000	15.5
Asia Container Terminal	40%	2	1,600,000	15.5
Yantian Terminals Phase I & II	14.59%	5	4,500,000	14.0 – 15.5
Yantian Terminals Phase III	13.36%	10	9,000,000	16.0 – 16.5
Guangzhou South China Oceangate Terminal	39%	6	4,200,000	15.5
		24	15,800,000	
Overseas		24	15,800,000	
Piraeus Terminal	100%	8	6,200,000	14.5 – 18.5
Suez Canal Terminal	20%	8	5,100,000	16.0
COSCO-PSA Terminal	49%	2	1,000,000	15.0
Antwerp Terminal	20%	6	3,500,000	17.0
Total		148		
Total number of container berths/ annual handling capacity		128	77,900,000	
Total number of bulk berths/ annual handling capacity		17	53,150,000 tons of bulk cargo	
Total number of automobile berths/ annual handling capacity		3	780,000 vehicles	

Note:

- The terminal portfolio includes operating and non-operating terminal companies, berths and annual handling capacity.
- 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.