

# Operational Review Terminals

## Worldwide Container Terminal Network



■ Percentage of total annual handling capacity	28.4%
■ Container berths	34
■ Annual handling capacity	19,400,000 TEU



■ Percentage of total annual handling capacity	11.8%
■ Container berths	18
■ Annual handling capacity	8,070,000 TEU



■ Percentage of total annual handling capacity	8.3%
■ Container berths	10
■ Annual handling capacity	5,700,000 TEU

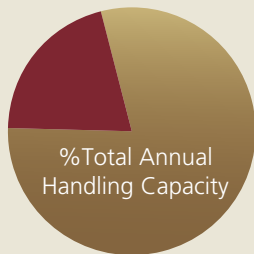
### Overseas

■ Terminal Coverage	■ Terminal Companies in Operation	■ Annual Handling Capacity
5 Ports	5	14,100,000 TEU

### Mainland China, Hong Kong and Taiwan

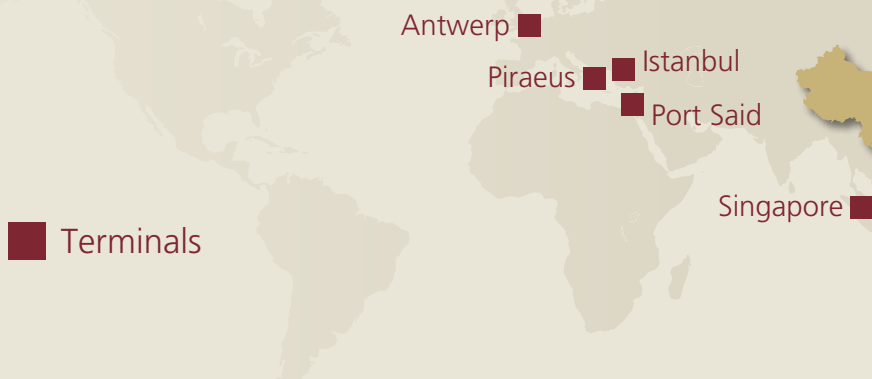
■ Terminal Coverage	■ Terminal Companies in Operation	■ Annual Handling Capacity
17 Ports	22	54,270,000 TEU

Overseas  
20.6%



Mainland China, Hong Kong and Taiwan  
79.4%

Total Annual Handling Capacity  
68,370,000 TEU



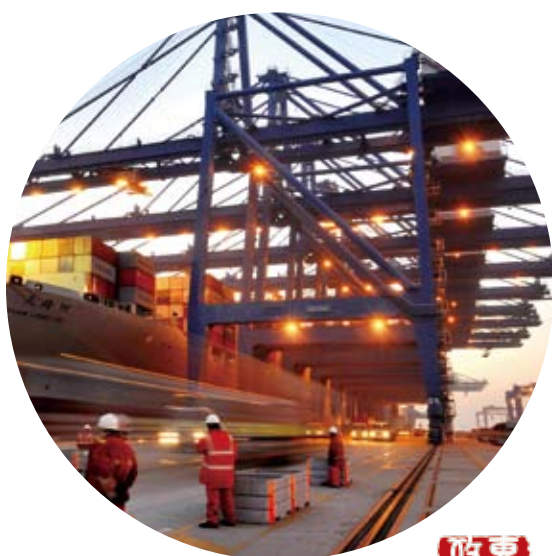


■ Percentage of total annual handling capacity	30.9%
■ Container berths	25
■ Annual handling capacity	21,100,000 TEU



■ Percentage of total annual handling capacity	20.6%
■ Container berths	26
■ Annual handling capacity	14,100,000 TEU





COSCO Pacific will devote its efforts to completing the reorganisation of the business, in order to leverage the economies of scale arising from its expanded terminals business and the synergies with its parent company as economic growth slows.

The economic growth rates of emerging markets and developing economies slowed further in 2015, while the recovery of the developed economies was sluggish. The IMF estimates that the global economy grew by 3.1% in 2015, 0.3 percentage points less than in 2014. The growth of global trade slowed by 0.8 percentage points to 2.6% in 2015 as compared to 3.4% in 2014. Under the impact of the slowdown in global economic growth, growth in global port container throughput also slowed. According to the forecast made by Drewry in December 2015, the growth in global port container handling in 2015 decreased by 4.1 percentage points to 1.3%, from 5.4% in 2014.

A change in its structure, together with downward pressure from domestic and foreign trade, saw China's economic growth moderate to 6.9%. China's import and export trade decreased by 7.0% (2014: +4.9%), creating a challenging operating environment for the ports industry.

The growth of container throughput at major ports in China generally showed a declining trend compared with 2014, although among them, Port of Shanghai throughput rose by 3.5% (2014: +5.0%) and throughput at Port of Shenzhen rose by 0.7% (2014: +3.3%).

### Container Throughput of Top 10 Global Ports

Rank	Port	Throughput (TEU)	Year-on-year change
1	Shanghai	36,537,000	+3.5%
2	Singapore	30,922,000	-8.7%
3	Shenzhen	24,205,000	+0.7%
4	Ningbo	20,627,000	+6.1%
5	Hong Kong	20,073,000	-9.7%
6	Busan	19,467,000	+4.2%
7	Guangzhou	17,590,000	+7.3%
8	Qingdao	17,436,000	+5.2%
9	Dubai	15,592,000	+2.2%
10	Tianjin	14,111,000	+0.4%

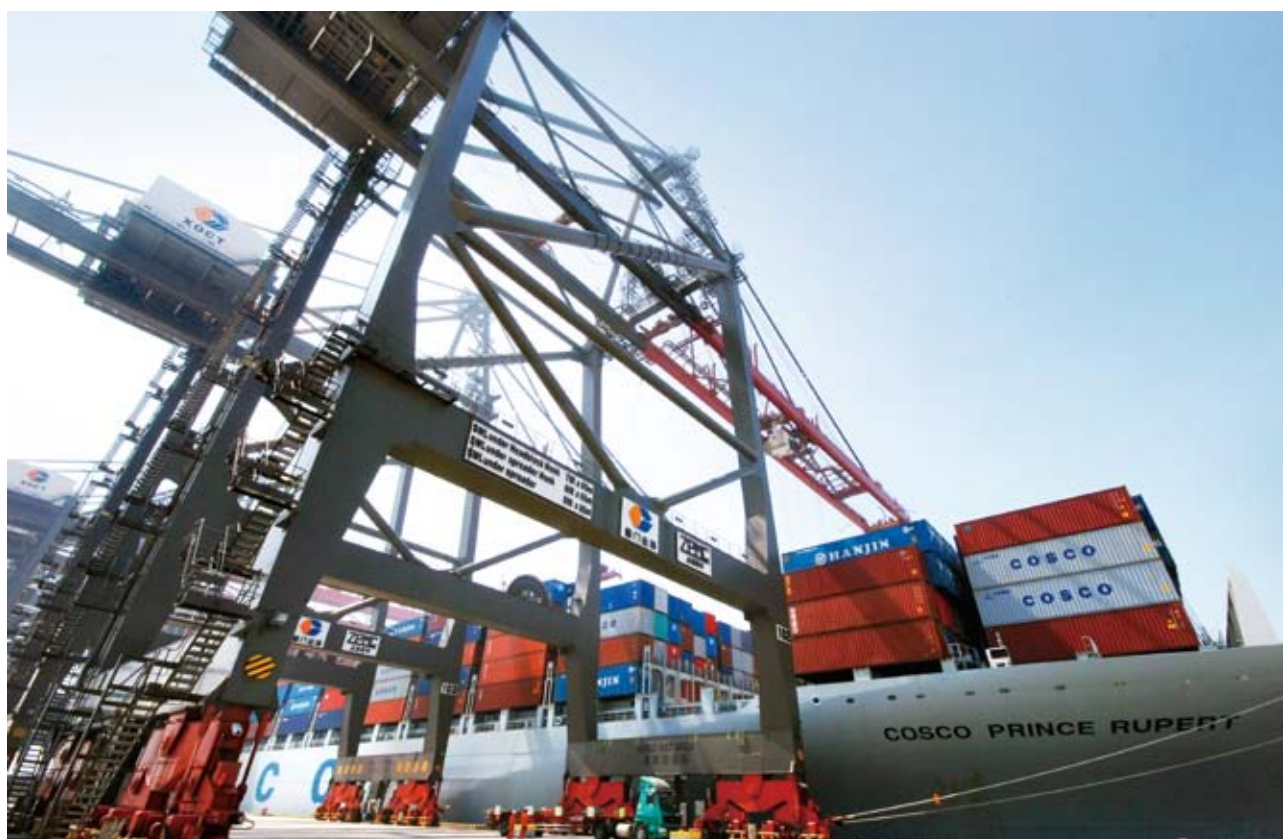
Source: Hong Kong Port Development Council, March 2016

## Sustaining Profit Growth through Stable Performance at our Major Terminals

In 2015, the container throughput and profit growth of the Group's terminals business slowed down. Equity throughput rose by 1.1% to 19,262,210 TEU (2014: 19,047,214 TEU). Profit from the terminals business rose by 5.7% to US\$233,653,000 (2014: US\$220,978,000), primarily due to Xiamen Ocean Gate Terminal achieving a turnaround, with robust growth in throughput and higher average revenue per TEU leading to

a profit contribution of US\$137,000 (2014: a loss of US\$6,858,000). In addition, those terminals that account for relatively high proportions of the Group's terminals business profit had stable growth in both throughput and profit. Among them, the share of profit from Yantian Terminal increased by 8.5% to US\$53,667,000 (2014: US\$49,449,000). The profit from Qingdao Qianwan Terminal increased by 9.9% to US\$42,898,000 (2014: US\$39,034,000). Thanks to the increase in its average revenue per TEU and throughput. The profit from Shanghai Pudong Terminal increased by 4.0% to US\$21,511,000 (2014: US\$20,689,000).

Piraeus Terminal maintained profit growth momentum, with its profit in Euro-terms rising by 18.1% following optimisation of its terminal operations. Due to the depreciation of the Euro against the US dollar compared with last year, its profit contribution in US dollar terms decreased slightly by 0.5% to US\$28,845,000 (2014: US\$ 28,980,000). Profit at COSCO-HIT Terminal declined 0.7% to US\$16,376,000 (2014: US\$16,487,000). Profit at Guangzhou South China Oceangate Terminal declined 5.0% to US\$8,503,000 (2014: US\$8,948,000). Profit at Suez Canal Terminal decreased by 21.1% to US\$8,743,000 (2014: US\$11,082,000), due to a 13.1% decline in throughput.





### Container Terminals Business

## World's No. 4

On 13 March 2014, the Group acquired a 40% effective equity interest in Asia Container Terminal, whose profit and throughput have been included in the Group's accounts since 14 March 2014. The acquired company contributed a profit of US\$2,254,000 (2014: US\$1,599,000)

and generated US\$3,229,000 (2014: US\$2,916,000) of shareholder's loan interest income to the Group during the year.

The revenue from the Group's terminals business is primarily generated by seven terminal subsidiaries. In 2015, the combined revenue of these terminal subsidiaries amounted to US\$486,772,000 (2014: US\$516,993,000), down 5.8%. The revenue from the terminals business accounted for 61.0% (2014: 59.4%) of total Group revenue. The decline in terminals business revenue was mainly due to Piraeus Terminal being affected by the depreciation

of the Euro against the US Dollar compared with last year. Piraeus Terminal delivered stable operational performance, with its revenue in Euro rising by 4.2%. However, its revenue in US dollar terms decreased 12.5% to US\$156,126,000 (2014: US\$178,466,000). The business volume of Xiamen Ocean Gate Terminal saw a continued increase. Combined with the revenue from its subsidiary, Xiamen Tongda Terminal, this terminal reported an aggregate revenue of US\$48,833,000 (2014: US\$39,199,000), a 24.6% increase. Revenue from Guangzhou South China Ocean Gate Terminal rose 0.5% to US\$144,796,000 (2014: US\$144,138,000).

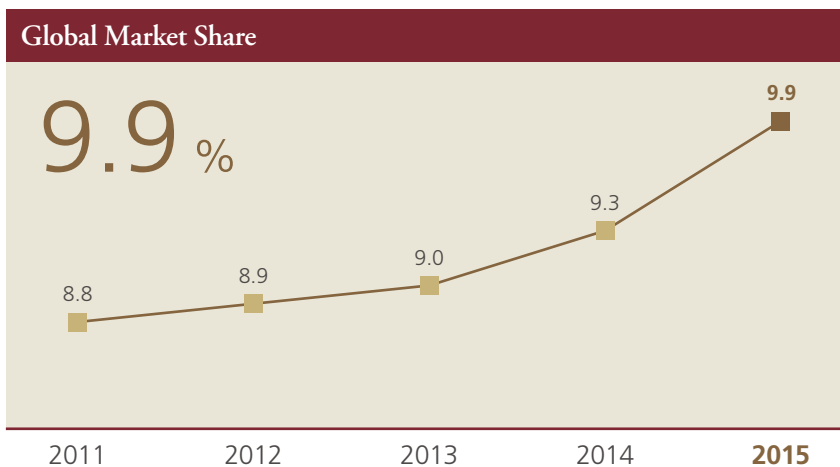
## Achieving Higher Market Share through Ongoing Volume Growth

On the basis of total throughput in the world's container terminal market in 2014 as shown in Drewry's Global Terminal Operator Report 2015, the total container throughput of COSCO Pacific's terminals accounted for approximately 9.9% of the world total, representing an increase in market share. COSCO Pacific's rank as number four among the world's container terminal operators has therefore been strengthened.

Affected by the slowdown in global economic growth and the drop in China's imports and exports, the total throughput of the Group increased by only 2.0% to 68,670,714 TEU (2014: 67,326,122 TEU). The equity throughput of the Group increased only modestly, by 1.1% to 19,262,210 TEU (2014: 19,047,214 TEU).

The Group's terminal companies in Mainland China (excluding Hong Kong and Taiwan) handled 54,786,540 TEU (2014: 53,787,323 TEU) in total, an increase of 1.9%, accounting for 79.8% of the Group's total throughput.

The throughput of the Bohai Rim region reached 25,653,747 TEU (2014: 25,130,274 TEU), an increase of 2.1% and accounting for 37.3% of the Group's total throughput. Thanks to the increased foreign trade cargo volume, the throughput at Qingdao Qianwan Terminal



reached 16,995,934 TEU (2014: 16,108,145 TEU), up 5.5%. Affected by adjustments to shipping routes, throughput at Dalian Port Terminal and Yingkou Terminal decreased by 8.7% to 2,495,053 TEU (2014: 2,732,136 TEU) and by 9.1% to 1,560,138 TEU (2014: 1,716,128 TEU) respectively.

The throughput of the Yangtze River Delta region declined 0.3% to 9,876,808 TEU (2014: 9,902,712 TEU), accounting for 14.4% of the Group's total throughput. Thanks to the

increases in shipping routes, the throughput of Shanghai Pudong Terminal rose 5.7% to 2,508,121 TEU (2014: 2,373,620 TEU). From the beginning of July 2015, the number of terminal berths in operation at Ningbo Yuan Dong Terminal decreased from five to three. With decreased operating capacity, the terminal's throughput dropped by 5.4% to 3,040,762 TEU (2014: 3,214,703 TEU). The throughput of Zhangjiagang Terminal decreased 15.8% to 672,295 TEU (2014: 798,773 TEU) as a result of a decline in the volume of transshipment and foreign trade import cargo.



The combined throughput of the Southeast Coast and others reached 4,129,030 TEU (2014: 3,767,499 TEU), representing an increase of 9.6% and accounting for 6.0% of the Group's total throughput. With enhanced customer service and marketing efforts, throughput at Xiamen Ocean Gate Terminal surged 28.4% to 1,034,753 TEU (2014: 806,183 TEU). Thanks to the introduction of new shipping routes and increased domestic transshipment cargoes, throughput at Quan Zhou Pacific Terminal rose 5.3% to 1,221,692 TEU (2014: 1,160,480 TEU). However, because certain shipping companies shut down their operations due to the difficult operating environment for domestic trade, throughput at Jinjiang Pacific Terminal decreased by 25.7% to 347,226 TEU (2014: 467,610 TEU).

The throughput of the Pearl River Delta region reached 19,480,987 TEU (2014: 19,099,473 TEU), representing an increase of 2.0% and accounting for 28.4% of the Group's total throughput. With increases in cargo volumes brought about 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 4.2% to 12,165,687 TEU (2014: 11,672,798 TEU). Guangzhou South China Oceangate Terminal began handling foreign cargoes only in 2015, following completion of a transition period for the diversification of its cargo handling to include both domestic and foreign trade. Its throughput declined 3.5% to 4,486,627 TEU (2014: 4,647,266 TEU). COSCO-HIT Terminal was impacted by shipping

route adjustments and its throughput declined 3.9% to 1,575,858 TEU (2014: 1,639,995 TEU). The profit and throughput of Asia Container Terminal have been included in the Group's accounts since 14 March 2014. The throughput of the terminal was 1,252,815 TEU (2014: 1,139,414 TEU) in 2015.

The throughput of overseas terminals reached 9,530,142 TEU (2014: 9,426,164 TEU), representing an increase of 1.1% and accounting for 13.9% of the Group's total throughput. Although the Far East – Mediterranean shipping market saw a downturn, the throughput of Piraeus Terminal recorded steady growth of 1.6% to 3,034,428 TEU (2014: 2,986,904 TEU) during the year, on the back of its enhanced efforts to

introduce new routes from shipping alliances and to offer network services as a Mediterranean hub port. Antwerp Terminal in Belgium continued to deliver consistent services, thereby attracting greater support from its clients. As a result, the operations of a number of shipping routes have been optimised, leading throughput to rise by 16.7% to 2,015,306 TEU (2014: 1,727,116 TEU). With COSCO-PSA Terminal in Singapore effectively optimising its service, its customers also increased their shipping routes at the terminal, leading to a 16.4% surge in throughput to 1,526,328 TEU (2014: 1,311,747 TEU). The throughput of Suez Canal Terminal in Egypt fell by 13.1% to 2,954,080 TEU (2014: 3,400,397 TEU), as a result of shipping route adjustments.

### Total Throughput by Region

	Throughput (TEU)	Year-on-year change(%)	Percentage of total (%)
Bohai Rim	25,653,747	+2.1	37.3
Yangtze River Delta	9,876,808	-0.3	14.4
Southeast Coast and others	4,129,030	+9.6	6.0
Pearl River Delta	19,480,987	+2.0	28.4
Overseas	9,530,142	+1.1	13.9
<b>Total</b>	<b>68,670,714</b>	<b>+2.0</b>	<b>100.0</b>

### Equity Throughput by Region

	Throughput (TEU)	Year-on-year change (%)	Percentage of total (%)
Bohai Rim	4,811,336	-0.5	25.0
Yangtze River Delta	2,700,147	-1.4	14.0
Southeast Coast and others	2,160,707	+6.6	11.2
Pearl River Delta	4,813,814	+0.5	25.0
Overseas	4,776,206	+2.6	24.8
<b>Total</b>	<b>19,262,210</b>	<b>+1.1</b>	<b>100.0</b>

## Throughput of Terminals



### Total Container Throughput



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



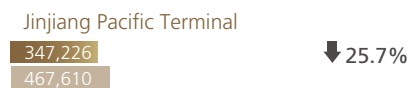
#### Bohai Rim



#### Pearl River Delta



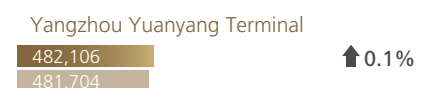
#### Southeast Coast and others



#### Overseas



#### Yangtze River Delta



#### Notes:

1. Throughput at Qingdao Qianwan Terminal included the throughput at 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 5,123,715 TEU (2014: 4,497,490 TEU) and 1,539,128 TEU (2014: 1,482,543 TEU) respectively.

2. Throughput at Asia Container Terminal is included since 14 March 2014.

2015 (TEU) 2014 (TEU)



### Strengthening the Mediterranean Terminal Network

As of 31 December 2015, there were 113 berths (2014: 108 berths) under the Group's operating container terminals and the total annual handling capacity was 68,370,000 TEU (2014: 65,750,000 TEU). There were 13 bulk berths (2014: 13 berths) in operation, with a total annual handling capacity of 46,050,000 tons (2014: 46,050,000 tons). Newly-added berths during the year included the six berths of Kumport Terminal (2,100,000 TEU) and one berth at Piraeus Terminal.

During the year, the Group capitalised on the strategic opportunities from the "One Belt, One Road" and the Yangtze River Economic Belt initiatives to expand its terminal network around the globe. On 17 September 2015, the Group acquired a 26% effective equity interest at Kumport Terminal

in Turkey at a total consideration of US\$386,114,000. Kumport Terminal is in the Ambarli Port Complex, on the European shore of Istanbul. It has always been an important strategic location at the crossroads of Europe and Asia, and lies just 35 km away from the portal to the Black Sea, the Strait of Bosphorus, which is the only passage to the Black Sea for shipping. Local goods are mainly supplied by the European side of Istanbul, which contains its main commercial and industrial areas. Most transshipments are shipped to the Black Sea. The current annual handling capacity of Kumport Terminal is 2.1 million TEU. The annual handling capacity can be increased to 3.5 million TEU through the transformation of the existing berths (including by extending berths) and a container depot, as well as the enhancement and upgrading of equipment. This acquisition was completed on 9 December 2015, and the terminal's throughput and profit will be included in the Group's accounts from 1 January 2016.

In addition, the expansion project at Piraeus Terminal includes enhancing the operational capacity of Pier 2 and building the Western Part of Pier 3, bringing an additional 2.5 million TEU annual handling capacity to the terminal, thereby raising total annual handling capacity to 6.2 million TEU. Piraeus Terminal held the inauguration ceremony for the construction of the Western Part of Pier 3 in late January 2015 and the operating capacity enhancement of Pier 2 was gradually completed during 2015. The annual handling capacity of Piraeus Terminal thus increased to 4.3 million TEU at the end of 2015. The construction and instalment of mechanical equipment at the Western Part of Pier 3 is scheduled to be completed by 2021. Once complete, the expansion project will 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.



## Geographical Distribution of Terminals

Berths in operation	Number of berths	Annual handling capacity (TEU)	Percentage of total
<b>Bohai Rim</b>			
Container	34	19,400,000	28.4%
Bulk	2	29,000,000 tons	63.0%
Automobile	2	600,000 vehicles	100%
<b>Yangtze River Delta</b>			
Container	18	8,070,000	11.8%
Bulk	7	10,550,000 tons	22.9%
<b>Southeast Coast and others</b>			
Container	10	5,700,000	8.3%
Bulk	4	6,500,000 tons	14.1%
<b>Pearl River Delta</b>			
Container	25	21,100,000	30.9%
<b>Overseas</b>			
Container	26	14,100,000	20.6%
<b>Total number of terminal berths in operation</b>	<b>128</b>		
<b>Total number of container berths/annual handling capacity</b>	<b>113</b>	<b>68,370,000</b>	
<b>Total number of bulk berths/annual handling capacity</b>	<b>13</b>	<b>46,050,000 tons</b>	
<b>Total number of automobile berths/annual handling capacity</b>	<b>2</b>	<b>600,000 vehicles</b>	





### Enhancing Our Competitive Advantage, Seizing Opportunities for Development

In the year ahead, competition in the ports industry will intensify as economic growth slows. According to a forecast by Drewry made in December 2015, global container throughput volume growth in 2016 will remain low at 2.5%. The Group will adhere to its proven operational strategies, namely continued

enhancement of management, improving cost control, the proactive upgrading of service standards and establishing long-term strategic partnerships with customers.

Following the acquisition of CSPD, COSCO Pacific's annual handling capacity in operation has further increased. The terminal network and the Group's market share have also expanded, strengthening its leading position in the industry. COSCO Pacific will devote its efforts to completing the reorganisation of

the business, in order to leverage the economies of scale arising from its expanded terminals business and the synergies with its parent company. It will conduct risk management while seizing investment opportunities, focusing on the development of its global terminal network and improving its global container hub network through adherence to its four areas of strategic focus, with a view towards sustainable development and growth in profitability.

## Terminal Portfolio<sup>1</sup> (as of 31 December 2015)

Terminal company	Share holdings	No. of berths	Design annual handling capacity (TEU)	Depth (m)
		<b>41</b>	<b>23,850,000</b>	
<b>Bohai Rim</b>		<b>3</b>	<b>780,000 vehicles</b>	
		<b>2</b>	<b>29,000,000 tons</b>	
Qingdao Qianwan Terminal	20%	11	6,500,000	17.5
Qingdao New Qianwan Terminal	16%	4	2,280,000	15.0 – 20.0
Qingdao Qianwan United Terminal	8%	7	3,950,000	15.0 – 20.0
Qingdao Qianwan United Advance Terminal	5.6%	2	1,300,000	15.0 – 20.0
Qingdao Qianwan Intelligent Container Terminal	11.2%	2	1,320,000	15.0 – 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
<b>Yangtze River Delta</b>		<b>23</b>	<b>10,350,000</b>	
		<b>10</b>	<b>14,950,000 tons</b>	
Shanghai Pudong Terminal	30%	3	2,300,000	12.0
Ningbo Yuan Dong Terminal	20%	3	1,800,000	17.0 – 22.0
Zhangjiagang Terminal	51%	3	1,000,000	10.0 – 11.0
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	16.14%	10	4,000,000	12.5 – 14.5
<b>Southeast Coast and others</b>		<b>13</b>	<b>7,600,000</b>	
		<b>5</b>	<b>9,200,000 tons</b>	
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
<b>Pearl River Delta</b>		<b>25</b>	<b>21,100,000</b>	
COSCO-HIT Terminal	50%	2	1,800,000	15.5
Asia Container Terminal	40%	2	1,600,000	15.5
Yantian Terminals Phases 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
<b>Overseas</b>		<b>30</b>	<b>19,300,000</b>	
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	14.5 – 16.5
Kumport Terminal	26%	6	3,500,000	15.0 – 16.5
<b>Total</b>		<b>152</b>	<b>19,300,000</b>	
<b>Total number of container berths/ annual handling capacity</b>		<b>132</b>	<b>82,200,000</b>	
<b>Total number of bulk berths/ annual handling capacity</b>		<b>17</b>	<b>53,150,000 tons of bulk cargo</b>	
<b>Total number of automobile berths/ annual handling capacity</b>		<b>3</b>	<b>780,000 vehicles</b>	

Notes:

- 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.