**COSCO Pacific Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1199)**

# 2013 INTERIM RESULTS ANNOUNCEMENT

## RESULTS HIGHLIGHTS

- Revenue was US$395,195,000 (corresponding period of 2012: US$367,355,000), an increase of 7.6%. The revenue was derived from the terminal business and the container leasing, management and sale businesses. The revenues of the two core businesses increased by 9.7% and 5.7% to US$217,066,000 (corresponding period of 2012: US$197,806,000) and US$180,234,000 (corresponding period of 2012: US$170,569,000) respectively

- Gross profit was US$172,978,000 (corresponding period of 2012: US$165,470,000), an increase of 4.5%, as gross profit of both the two core businesses increased. During the period, the gross profit margin of the container leasing, management and sale businesses remained stable. However, the gross profit margin of the Group dropped by 1.2 percentage points to 43.8% (corresponding period of 2012: 45.0%) as a result of higher initial operating costs arising from Xiamen Ocean Gate Container Terminal Co., Ltd. ("Xiamen Ocean Gate Terminal"), which commenced operation in May 2012

- On 20th May 2013, the Group announced the disposal of its 21.8% equity interest in China International Marine Containers (Group) Co., Ltd. ("CIMC") for a cash consideration of US$1,219,789,000, which was completed on 27th June 2013, resulting in a net gain of US$393,411,000. The disposal offers a good opportunity for the Group to focus resources on its two core businesses, with a view to improving its profitability and creating enhanced value for shareholders in the medium-to-long term

- Profit attributable to equity holders of the Company rose by 213.1% to US$560,292,000 (corresponding period of 2012: US$178,925,000). Excluding the share of profit from CIMC, a discontinued business, and the net gain on the disposal of its equity interest in CIMC, profit attributable to equity holders of the Company dropped by 3.6% to US$143,822,000 (corresponding period of 2012: US$149,174,000)

- An interim dividend of HK18.6 cents (corresponding period of 2012: HK20.5 cents) per share and a special interim dividend of HK43.8 cents (corresponding period of 2012: Nil) per share as a result of the disposal of its 21.8% equity interest in CIMC were declared. The dividends will be paid in cash and with a scrip dividend alternative, with a payout ratio of 40.0% (corresponding period of 2012: 40.0%)

- Profit from the terminal business decreased by 5.1% to US$92,830,000 (corresponding period of 2012: US$97,841,000). The decrease was mainly attributable to a rise in income tax expenses for some terminals in mainland China following the expiry of tax holidays, an increase in the loss of Xiamen Ocean Gate Terminal compared with the corresponding period of last year as it is still in a ramp-up period, as well as increased operating costs of the terminal business. Equity throughput increased by 8.2% to 8,201,200 TEU (corresponding period of 2012: 7,581,363 TEU). Total throughput increased by 9.7% to 29,494,353 TEU (corresponding period of 2012: 26,876,860 TEU)

- Profit from the container leasing, management and sale businesses rose by 4.8% to US$76,291,000 (corresponding period of 2012: US$72,766,000). The increase was mainly due to an expansion of the container leasing fleet. The container fleet size increased by 4.3% to 1,874,826 TEU (30th June 2012: 1,797,377 TEU), with an overall average utilisation rate of 94.5% (corresponding period of 2012: 95.2%)

- The Group's share of profit from CIMC during the period included the profit for the period from January to May as the disposal of its equity interest in CIMC was completed in June, being US$23,059,000 (January to June of 2012: US$29,751,000), a decrease of 22.5%

## RESULTS

The board of directors (the "Board") of COSCO Pacific Limited (the "Company" or "COSCO Pacific") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June 2013.

The following financial information, including comparative figures, has been prepared in accordance with Hong Kong Financial Reporting Standards. The Group's unaudited condensed consolidated balance sheet, unaudited condensed consolidated income statement, unaudited condensed consolidated statement of comprehensive income and explanatory notes 1 to 14 as presented below are extracted from the Group's unaudited condensed consolidated interim financial information for the six months ended 30th June 2013 (the "Unaudited Condensed Consolidated Interim Financial Information") which has been reviewed by the Company's independent auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET**
**AS AT 30TH JUNE 2013**

| | ***Note*** | **As at 30th June 2013** ***US$'000*** | As at 31st December 2012 *US$'000* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **3,957,504** | 3,717,804 |
| Investment properties | | **4,951** | 4,899 |
| Land use rights | | **233,717** | 219,631 |
| Intangible assets | | **9,815** | 9,995 |
| Jointly controlled entities | | **627,090** | 599,510 |
| Loan to a jointly controlled entity | | **5,227** | 5,276 |
| Associates | 10 | **756,169** | 1,570,615 |
| Loan to an associate | | **30,415** | 30,702 |
| Available-for-sale financial asset | | **21,000** | 25,000 |
| Finance lease receivables | | **12,789** | 13,542 |
| Deferred income tax assets | | **870** | 676 |
| Other non-current assets | 3 | **77,115** | 73,841 |
| | | **5,736,662** | 6,271,491 |
| **Current assets** | | | |
| Inventories | | **8,979** | 12,746 |
| Trade and other receivables | 4 | **857,448** | 221,728 |
| Derivative financial instruments | | **2,269** | 8,563 |
| Restricted bank deposits | | **113** | 907 |
| Cash and cash equivalents | | **1,678,242** | 848,423 |
| | | **2,547,051** | 1,092,367 |
| **Total assets** | | **8,283,713** | 7,363,858 |

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET (Continued)**
**AS AT 30TH JUNE 2013**

| | *Note* | **As at 30th June 2013** | As at 31st December 2012 |
|---|---|---|---|
| | | ***US$'000*** | *US$'000* |
| **EQUITY** | | | |
| **Capital and reserves attributable to the equity holders of the Company** | | | |
| Share capital | | **35,765** | 35,762 |
| Reserves | | **4,150,711** | 3,852,396 |
| Proposed final dividend | | **-** | 65,862 |
| Interim and special interim dividends declared | | **224,124** | - |
| | | **4,410,600** | 3,954,020 |
| **Non-controlling interests** | | **286,145** | 263,373 |
| **Total equity** | | **4,696,745** | 4,217,393 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Deferred income tax liabilities | | **31,052** | 50,678 |
| Long term borrowings | 5 | **2,031,005** | 1,826,655 |
| Loans from non-controlling shareholders of subsidiaries | | **122,814** | 121,714 |
| Other long term liabilities | | **13,406** | 6,749 |
| | | **2,198,277** | 2,005,796 |
| **Current liabilities** | | | |
| Trade and other payables | 6 | **473,386** | 358,200 |
| Current income tax liabilities | | **91,361** | 7,427 |
| Current portion of long term borrowings | | **732,489** | 688,260 |
| Short term bank loans | | **91,455** | 86,782 |
| | | **1,388,691** | 1,140,669 |
| **Total liabilities** | | **3,586,968** | 3,146,465 |
| **Total equity and liabilities** | | **8,283,713** | 7,363,858 |
| **Net current assets/(liabilities)** | | **1,158,360** | (48,302) |
| **Total assets less current liabilities** | | **6,895,022** | 6,223,189 |

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
## FOR THE SIX MONTHS ENDED 30TH JUNE 2013

| | *Note* | **Six months ended 30th June** | |
|---|---|---|---|
| | | **2013** | 2012 |
| | | ***US$'000*** | *US$'000* |
| **Continuing operations:** | | | |
| Revenues | | **395,195** | 367,355 |
| Cost of sales | | **(222,217)** | (201,885) |
| **Gross profit** | | **172,978** | 165,470 |
| Administrative expenses | | **(40,867)** | (41,643) |
| Other operating income | | **9,765** | 9,829 |
| Other operating expenses | | **(4,909)** | (7,773) |
| **Operating profit** | 7 | **136,967** | 125,883 |
| Finance income | 8 | **5,311** | 2,716 |
| Finance costs | 8 | **(46,212)** | (35,963) |
| Operating profit after finance income and costs | | **96,066** | 92,636 |
| Share of profits less losses of | | | |
| - jointly controlled entities | | **38,888** | 49,351 |
| - associates | | **32,821** | 28,102 |
| **Profit before income tax from continuing operations** | | **167,775** | 170,089 |
| Income tax expenses | 9 | **(15,591)** | (12,935) |
| **Profit for the period from continuing operations** | | **152,184** | 157,154 |
| **Discontinued operation:** | | | |
| Net gain on disposal of an associate | 10 | **393,411** | - |
| Share of profit of an associate | | **23,059** | 29,751 |
| **Profit for the period from discontinued operation** | | **416,470** | 29,751 |
| **Profit for the period** | | **568,654** | 186,905 |
| **Profit attributable to:** | | | |
| Equity holders of the Company | | **560,292** | 178,925 |
| Non-controlling interests | | **8,362** | 7,980 |
| | | **568,654** | 186,905 |
| Dividends | | | |
| - interim | 11 | **66,758** | 71,591 |
| - special interim | 11 | **157,366** | - |
| | | **224,124** | 71,591 |

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT(Continued)
## FOR THE SIX MONTHS ENDED 30TH JUNE 2013

| | *Note* | Six months ended 30th June | |
|---|---|---|---|
| | | **2013** | 2012 |
| **Earnings per share for profit attributable to equity holders of the Company** | | | |
| Basic | | | |
| - from continuing operations | 12 | **US5.16 cents** | US5.50 cents |
| - from discontinued operation | 12 | **US14.95 cents** | US1.10 cents |
| | | **US20.11 cents** | US6.60 cents |
| Diluted | | | |
| - from continuing operations | 12 | **US5.16 cents** | US5.50 cents |
| - from discontinued operation | 12 | **US14.95 cents** | US1.10 cents |
| | | **US20.11 cents** | US6.60 cents |

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30TH JUNE 2013

| | Six months ended 30th June | |
|---|---|---|
| | **2013** | 2012 |
| | ***US$'000*** | *US$'000* |
| **Profit for the period** | **568,654** | 186,905 |
| **Other comprehensive income** | | |
| Items that may be reclassified to profit or loss | | |
| Exchange differences from retranslation of financial statements of subsidiaries, jointly controlled entities and associates | **37,733** | (8,969) |
| Fair value (loss)/gain on an available-for-sale financial asset | **(4,000)** | 7,000 |
| Release of reserves upon disposal of an associate | **(65,428)** | - |
| Share of reserves of jointly controlled entities and associates | **(102)** | 1,382 |
| **Other comprehensive loss for the period, net of tax** | **(31,797)** | (587) |
| **Total comprehensive income for the period** | **536,857** | 186,318 |
| **Total comprehensive income attributable to:** | | |
| Equity holders of the Company | **522,231** | 179,637 |
| Non-controlling interests | **14,626** | 6,681 |
| | **536,857** | 186,318 |
| **Total comprehensive income attributable to equity holders of the Company arising from:** | | |
| Continuing operations | **161,294** | 150,499 |
| Discontinued operation | **360,937** | 29,138 |
| | **522,231** | 179,637 |

## NOTES

### 1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The Unaudited Condensed Consolidated Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA.

The Unaudited Condensed Consolidated Interim Financial Information should be read in conjunction with the annual audited consolidated financial statements for the year ended 31st December 2012 (the "2012 Annual Financial Statements"), which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA.

***Adoption of new HKFRSs***

The accounting policies and methods of computation used in the preparation of the Unaudited Condensed Consolidated Interim Financial Information are consistent with those used in the 2012 Annual Financial Statements, except that the Group has adopted the following revised standards, interpretation, amendments or improvements to existing standards (collectively the "new HKFRSs") issued by the HKICPA which are mandatory for the financial year beginning 1st January 2013:

**New standards, interpretation and amendments**

| | |
|---|---|
| HKAS 1 Amendment | Presentation of Financial Statements |
| HKAS 19 (2011) | Employee Benefits |
| HKAS 27 (2011) | Separate Financial Statements |
| HKAS 28 (2011) | Investment in Associates and Joint Ventures |
| HKFRS 1 Amendment | Government Loans |
| HKFRS 7 Amendment | Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities |
| HKFRS 10 | Consolidated Financial Statements |
| HKFRS 11 | Joint Arrangements |
| HKFRS 12 | Disclosure of Interests in Other Entities |
| HKFRS 13 | Fair Value Measurements |
| HK(IFRIC)-Int 20 | Stripping Costs in the Production Phase of a Surface Mine |

**Annual Improvements 2009 - 2011 Cycle**

| | |
|---|---|
| HKAS 1 | Presentation of Financial Statements |
| HKAS 16 | Property, Plant and Equipment |
| HKAS 32 | Financial Instruments: Disclosures |
| HKAS 34 | Interim Financial Reporting |
| HKFRS 1 | First-time Adoption of Hong Kong Financial Reporting Standards |

The adoption of the above new HKFRSs in the current period did not have any significant effect on the Unaudited Condensed Consolidated Interim Financial Information or result in any substantial changes in the Group's significant accounting policies, except for below certain revised presentation and disclosures in the Unaudited Condensed Consolidated Interim Financial Information:

## 1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

HKFRS 10 "Consolidated Financial Statements" provides additional guidance on the determination of control. Under HKFRS 10, the Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has applied HKFRS 10 retrospectively in accordance with the standard which has no significant impact on the results and the financial position of the Group.

HKFRS 11 "Joint Arrangements" classifies joint arrangements as either joint operations or joint ventures. The determination of whether a joint arrangement is a joint operation or a joint venture is based on the parties' rights and obligations under the arrangement and the existence of a separate legal vehicle is no longer a key factor. The Group has applied HKFRS 11 retrospectively in accordance with the standard which has no significant impact on the results and the financial position of the Group.

HKFRS 13 "Fair Value Measurements" defines fair value and provides a single source of fair value measurement and disclosure requirements for use across HKFRS. The requirements do not extend the use of fair value accounting. The Group has applied the new fair value measurement and disclosure requirements prospectively in accordance with the standard. The Group has included the required disclosures in the interim financial statements. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

The HKICPA has issued certain new standards, interpretations and amendments or improvements to existing standards which are not yet effective for the year ending 31st December 2013 and have not been early adopted by the Group. The Group will apply these standards, interpretations and amendments or improvements to existing standards as and when they become effective. The Group has already commenced an assessment of the related impact to the Group and it is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted.

## 2. SEGMENT INFORMATION

### *(a) Operating segments*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The operating segments were determined based on the reports reviewed by management. The following operating segments were identified in accordance with the Group's continuing operations:

(i) terminal and related businesses including terminal operation, container handling, transportation and storage; and
(ii) container leasing, management, sale and related businesses.

The performance of the operating segments was assessed based on their segment profit/loss attributable to equity holders of the Company and segment assets, which is measured in a manner consistent with that in the Unaudited Condensed Consolidated Interim Financial Information.

Corporate assets comprise property, plant & equipment, investment properties, intangible assets, derivative financial assets, inter-segment loans, other prepayments and receivables and cash and cash equivalents.

Additions to non-current assets comprise additions to property, plant and equipment, land use rights and intangible assets.

### Segment assets

| | **Terminal and related businesses** *US$'000* | **Container leasing, management, sale and related businesses** *US$'000* | **Container manufacturing and related businesses** *US$'000* | **Segment total** *US$'000* | **Corporate** *US$'000* | **Inter-segment elimination** *US$'000* | **Total** *US$'000* |
|---|---|---|---|---|---|---|---|
| **At 30th June 2013** | | | | | | | |
| Segment assets | **4,196,115** | **2,642,160** | **-** | **6,838,275** | **1,801,408** | **(355,970)** | **8,283,713** |
| Segment assets include: | | | | | | | |
| Jointly controlled entities | **627,090** | **-** | **-** | **627,090** | **-** | **-** | **627,090** |
| Associates | **756,169** | **-** | **-** | **756,169** | **-** | **-** | **756,169** |
| Available-for-sale financial asset | **21,000** | **-** | **-** | **21,000** | **-** | **-** | **21,000** |
| At 31st December 2012 | | | | | | | |
| Segment assets | 3,907,266 | 2,067,570 | 804,377 | 6,779,213 | 833,925 | (249,280) | 7,363,858 |
| Segment assets include: | | | | | | | |
| Jointly controlled entities | 599,510 | - | - | 599,510 | - | - | 599,510 |
| Associates | 766,238 | - | 804,377 | 1,570,615 | - | - | 1,570,615 |
| Available-for-sale financial asset | 25,000 | - | - | 25,000 | - | - | 25,000 |

## 2. SEGMENT INFORMATION (Continued)

### *(a) Operating segments (Continued)*

### Segment revenues, results and other information

| | Continuing operations | | | | | | Discontinued operation |
|---|---|---|---|---|---|---|---|
| | Terminal and related businesses *US$'000* | Container leasing, management, sale and related businesses *US$'000* | Segment total *US$'000* | Corporate *US$'000* | Elimination of inter-segment (revenue) and finance (income)/costs *US$'000* | Total *US$'000* | Container manufacturing and related businesses *US$'000* |
| **Six months ended 30th June 2013** | | | | | | | |
| Revenue - total sales | 217,066 | 180,234 | 397,300 | - | (2,105) | 395,195 | - |
| Segment profit/(loss) attributable to equity holders of the Company | 92,830 | 76,291 | 169,121 | (25,299) | - | 143,822 | 416,470 |
| Segment profit/(loss) attributable to equity holders of the Company includes: | | | | | | | |
| Finance income | 422 | 204 | 626 | 8,245 | (3,560) | 5,311 | - |
| Finance costs | (28,510) | (10,946) | (39,456) | (12,253) | 5,497 | (46,212) | - |
| Share of profits less losses of | | | | | | | |
| - jointly controlled entities | 38,888 | - | 38,888 | - | - | 38,888 | - |
| - associates | 32,821 | - | 32,821 | - | - | 32,821 | 23,059 |
| Net gain on disposal of an associate | - | - | - | - | - | - | 393,411 |
| Income tax expenses | (6,428) | (1,737) | (8,165) | (7,426) | - | (15,591) | - |
| Depreciation and amortisation | (35,331) | (52,646) | (87,977) | (1,196) | - | (89,173) | - |
| Provision for impairment of inventories | - | (18) | (18) | - | - | (18) | - |
| Other non-cash expenses | (270) | (906) | (1,176) | - | - | (1,176) | - |
| Additions to non-current assets | (151,906) | (126,609) | (278,515) | (23) | - | (278,538) | - |
| Additions arising from business combination | (85,086) | - | (85,086) | - | - | (85,086) | - |

## 2. SEGMENT INFORMATION (Continued)

### *(a) Operating segments (Continued)*

### Segment revenues, results and other information (Continued)

| | Continuing operations | | | | | | Discontinued operation |
|---|---|---|---|---|---|---|---|
| | Terminal and related businesses *US$'000* | Container leasing, management, sale and related businesses *US$'000* | Segment total *US$'000* | Corporate *US$'000* | Elimination of inter-segment (revenue) and finance (income)/costs *US$'000* | Total *US$'000* | Container manufacturing and related businesses *US$'000* |
| Six months ended 30th June 2012 | | | | | | | |
| Revenue - total sales | 197,806 | 170,569 | 368,375 | - | (1,020) | 367,355 | - |
| Segment profit/(loss) attributable to equity holders of the Company | 97,841 | 72,766 | 170,607 | (21,433) | - | 149,174 | 29,751 |
| Segment profit/(loss) attributable to equity holders of the Company includes: | | | | | | | |
| Finance income | 474 | 339 | 813 | 3,928 | (2,025) | 2,716 | - |
| Finance costs | (27,038) | (5,798) | (32,836) | (6,274) | 3,147 | (35,963) | - |
| Share of profits less losses of | | | | | | | |
| - jointly controlled entities | 49,351 | - | 49,351 | - | - | 49,351 | - |
| - associates | 28,102 | - | 28,102 | - | - | 28,102 | 29,751 |
| Income tax expenses | (4,785) | (1,481) | (6,266) | (6,669) | - | (12,935) | - |
| Depreciation and amortisation | (27,766) | (51,389) | (79,155) | (1,081) | - | (80,236) | - |
| Impairment loss of property, plant and equipment | - | (98) | (98) | - | - | (98) | - |
| Other non-cash expenses | (17) | (1,665) | (1,682) | (1) | - | (1,683) | - |
| Additions to non-current assets | (180,371) | (119,921) | (300,292) | (277) | - | (300,569) | - |

## 2. SEGMENT INFORMATION (Continued)

### *(b) Geographical information*

#### (i) Revenues

In respect of terminal and related businesses, revenues are based on the geographical areas in which the business operations are located.

In respect of container leasing, management, sale and related businesses, the movements of containers and generator sets of the Group are known through report from the lessees but the Group is not able to control the movements of containers and generator sets except to the degree that the movements are restricted by the terms of the leases or where safety of the containers and generator sets is concerned. It is therefore impracticable to present financial information by geographical areas and thus the revenues of which are presented as unallocated revenues.

| | **Six months ended 30th June** | |
|---|---|---|
| | **2013** | 2012 |
| | ***US$'000*** | *US$'000* |
| Terminal and related businesses | | |
| - Mainland China (excluding Hong Kong) | **142,066** | 126,842 |
| - Europe | **73,330** | 69,545 |
| - Others | **1,652** | 1,408 |
| Unallocated | **178,147** | 169,560 |
| | **395,195** | 367,355 |

## 2. SEGMENT INFORMATION (Continued)

### *(b) Geographical information (Continued)*

#### (ii) Non-current assets

The Group's non-current assets, other than financial instruments and deferred income tax assets ("Geographical Non-Current Assets"), consist of property, plant and equipment, investment properties, land use rights, intangible assets, jointly controlled entities, associates and other non-current assets.

The containers and generator sets (included in property, plant and equipment) are primarily utilised across geographical markets for shipment of cargoes throughout the world. Accordingly, it is impractical to present the locations of the containers and generator sets by geographical areas and thus the containers and generator sets are presented as unallocated non-current assets.

In respect of the terminal non-current assets and the remaining Geographical Non-Current Assets, they are presented based on the geographical areas in which the business operations/assets are located.

Other than container leasing, management, sale and related businesses, the activities of the Group, its jointly controlled entities and associates are predominantly carried out in the following geographical areas:

| **Operating segments** | **Geographical areas** |
|---|---|
| Terminal and related businesses | Hong Kong, Mainland China, Singapore, Belgium, Egypt, Greece and Taiwan |
| Container manufacturing and related businesses | Mainly Mainland China |

| | **As at 30th June 2013** *US$'000* | As at 31st December 2012 *US$'000* |
|---|---|---|
| Mainland China (excluding Hong Kong) | **3,379,013** | 3,993,046 |
| Europe | **346,325** | 286,259 |
| Others | **248,906** | 245,779 |
| Unallocated | **1,692,117** | 1,671,211 |
| | **5,666,361** | 6,196,295 |

## 3. OTHER NON-CURRENT ASSETS

Other non-current assets of the Group mainly represent prepaid operating lease payments, which include the unamortised upfront concession fee incurred in respect of the concession agreement with Piraeus Port Authority S.A. for the concession of Piers 2 and 3 of the Piraeus Port in Greece for a term of 35 years (the "Concession"). The Concession commenced on 1st October 2009.

## 4. TRADE AND OTHER RECEIVABLES

| | **As at 30th June 2013** *US$'000* | As at 31st December 2012 *US$'000* |
|---|---|---|
| Trade receivables | | |
| - third parties | **67,827** | 61,096 |
| - fellow subsidiaries | **31,435** | 27,261 |
| - a jointly controlled entity | **10** | 21 |
| - non-controlling shareholders of a subsidiary | **5,851** | 3,053 |
| - related companies | **381** | 343 |
| | **105,504** | 91,774 |
| Less: provision for impairment | **(1,668)** | (2,508) |
| | **103,836** | 89,266 |
| Other receivables, deposits and prepayments | **83,470** | 75,080 |
| Rent receivable collected on behalf of owners of managed containers | **27,258** | 30,176 |
| Current portion of finance lease receivables | **1,903** | 1,816 |
| Loans to jointly controlled entities | **21,679** | 22,485 |
| Amounts due from | | |
| - fellow subsidiaries (Note) | **610,638** | 247 |
| - jointly controlled entities | **7,958** | 2,590 |
| - associates | **617** | - |
| - a non-controlling shareholder of a subsidiary | **89** | 68 |
| | **857,448** | 221,728 |

Note: As at 30th June 2013, balance of approximately US$610,000,000 (31st December 2012: US$Nil) represented the unsettled balance of the cash consideration for the disposal of the Group's 21.8% equity interest in CIMC. In accordance with the sale and purchase agreement, the balance will be settled on or before 27th September 2013 (Note 10).

The Group grants credit periods of 30 to 90 days to its customers. The ageing analysis of the trade receivables (net of provision) is as follows:

| | **As at 30th June 2013** *US$'000* | As at 31st December 2012 *US$'000* |
|---|---|---|
| Within 30 days | **52,956** | 47,014 |
| 31 - 60 days | **37,276** | 29,568 |
| 61 - 90 days | **10,061** | 9,856 |
| Over 90 days | **3,543** | 2,828 |
| | **103,836** | 89,266 |

## 5. LONG TERM BORROWINGS

10-year guaranteed notes with principal amount of US$300,000,000 were issued by a subsidiary of the Company to investors on 31st January 2013. The notes carried a fixed interest yield of 4.46% per annum and were issued at a price of 99.320 per cent of their principal amount with a fixed coupon rate of 4.375% per annum, resulting in a discount on issue of US$2,040,000. The notes bear interest from 31st January 2013, payable semi-annually in arrears on 31st January and 31st July of each year, commencing on 31st July 2013. The notes are guaranteed unconditionally and irrevocably by the Company and listed on The Stock Exchange of Hong Kong Limited.

## 6. TRADE AND OTHER PAYABLES

| | **As at 30th June 2013** ***US$'000*** | As at 31st December 2012 *US$'000* |
|---|---|---|
| Trade payables | | |
| - third parties | **35,425** | 43,521 |
| - fellow subsidiaries | **138** | 121 |
| - a jointly controlled entity | **4** | - |
| - non-controlling shareholders of subsidiaries | **3,254** | 2,527 |
| - subsidiaries of an associate | **-** | 34 |
| - related companies | **30,857** | 5 |
| | **69,678** | 46,208 |
| Other payables and accruals | **161,289** | 147,699 |
| Payable to owners of managed containers | **29,684** | 37,236 |
| Current portion of other long term liabilities | **913** | 1,019 |
| Dividend payable | **65,905** | 38 |
| Loan from a jointly controlled entity | **24,301** | 23,890 |
| Loan from non-controlling shareholders of subsidiaries | **97,689** | 96,864 |
| Amounts due to | | |
| - fellow subsidiaries | **92** | 112 |
| - non-controlling shareholders of subsidiaries | **23,832** | 5,131 |
| - related companies | **3** | 3 |
| | **473,386** | 358,200 |

The ageing analysis of the trade payables is as follows:

| | **As at 30th June 2013** ***US$'000*** | As at 31st December 2012 *US$'000* |
|---|---|---|
| Within 30 days | **27,695** | 23,182 |
| 31 - 60 days | **22,753** | 1,735 |
| 61 - 90 days | **316** | 1,443 |
| Over 90 days | **18,914** | 19,848 |
| | **69,678** | 46,208 |

## 7. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

| | Six months ended 30th June | |
|---|---|---|
| | **2013** | 2012 |
| | ***US$'000*** | *US$'000* |
| **Crediting** | | |
| Dividend income from an unlisted investment | **1,923** | 1,826 |
| Rental income from investment properties | **206** | 186 |
| Write back of provision for impairment of trade receivables, net | **700** | - |
| Gain on disposal of property, plant and equipment | **290** | 214 |
| **Charging** | | |
| Depreciation and amortisation | **89,173** | 80,236 |
| Loss on disposal of property, plant and equipment | **262** | 212 |
| Rental expenses under operating leases of | | |
| - buildings leased from fellow subsidiaries | **777** | 776 |
| - buildings leased from a jointly controlled entity | **16** | 16 |
| - land use rights leased from non-controlling shareholders of subsidiaries | **544** | 539 |
| - Concession (Note 3) | **19,847** | 18,198 |
| Impairment loss of property, plant and equipment | **-** | 98 |
| Provision for impairment of trade receivables, net | **-** | 909 |
| Provision for impairment of inventories | **18** | - |

## 8. FINANCE INCOME AND COSTS

| | Six months ended 30th June | |
|---|---|---|
| | **2013** | 2012 |
| | ***US$'000*** | *US$'000* |
| **Finance income** | | |
| Interest income on | | |
| - bank balances and deposits | **4,537** | 1,872 |
| - loans to a jointly controlled entity and an associate | **774** | 844 |
| | **5,311** | 2,716 |
| **Finance costs** | | |
| Interest expenses on | | |
| - bank loans | **(39,759)** | (34,358) |
| - notes | **(10,182)** | (4,644) |
| - loans from non-controlling shareholders of subsidiaries | **(3,859)** | (2,610) |
| - loan from a jointly controlled entity | **(423)** | (421) |
| Fair value loss on derivative financial instruments | **(6,294)** | (3,673) |
| Fair value adjustment of notes attributable to interest rate risk | **8,180** | 2,636 |
| | **1,886** | (1,037) |
| Amortised amount of | | |
| - discount on issue of notes | **(195)** | (76) |
| - transaction costs on bank loans and notes | **(1,697)** | (883) |
| | **(54,229)** | (44,029) |
| Less: amount capitalised in construction in progress | **9,039** | 8,980 |
| | **(45,190)** | (35,049) |
| Other incidental borrowing costs and charges | **(1,022)** | (914) |
| | **(46,212)** | (35,963) |
| Net finance costs | **(40,901)** | (33,247) |

## 9. INCOME TAX EXPENSES

| | Six months ended 30th June | |
|---|---|---|
| | **2013** | 2012 |
| | ***US$'000*** | US$'000 |
| Current income tax | | |
| - Hong Kong profits tax | **14** | - |
| - China mainland taxation | **4,274** | 12,083 |
| - Overseas taxation | **4,781** | 2,255 |
| - (Over)/under provision in prior years | **(57)** | 226 |
| | **9,012** | 14,564 |
| Deferred income tax charge/(credit) | **6,579** | (1,629) |
| | **15,591** | 12,935 |

The Group's shares of income tax expenses of jointly controlled entities and associates of US$10,686,000 (corresponding period of 2012: US$6,993,000) and US$6,829,000 (corresponding period of 2012: US$18,725,000) are included in the Group's shares of profits less losses of jointly controlled entities and associates respectively.

Hong Kong profits tax was provided at a rate 16.5% on the estimated assessable profit (corresponding period of 2012: No Hong Kong profits tax had been provided as the Group did not have estimated assessable profit for the period).

Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

Deferred income tax is calculated in full on temporary differences under the liability method using tax rates substantively enacted by the balance sheet date.

As at 30th June 2013, deferred income tax liabilities of US$6,338,000 (31st December 2012: US$5,963,000) have not been established for the withholding taxation that would be payable on the undistributed earnings of certain subsidiaries in certain tax jurisdictions totaling US$34,917,000 (31st December 2012: US$32,100,000) as the directors considered that the timing of the reversal of the related temporary differences can be controlled and accordingly, the temporary difference will not be reversed in the foreseeable future.

## 10. NET GAIN ON DISPOSAL OF AN ASSOCIATE

On 20th May 2013, the Group entered into a sale and purchase agreement to dispose of its 21.8% equity interest in CIMC, a then associate of the Company listed in Shenzhen and Hong Kong to Long Honour Investments Limited ("Long Honour"), a direct wholly owned subsidiary of COSCO (Hong Kong) Group Limited which in turn is a direct wholly owned subsidiary of China Ocean Shipping (Group) Company ("COSCO"), the ultimate controlling shareholder of the Company. The cash consideration was US$1,219,789,000. In June 2013, the disposal was approved by the independent shareholders of the Company. Accordingly, the container manufacturing and related businesses were reclassified as discontinued operation. COSCO Container Industries Limited ("COSCO Container"), a direct wholly owned subsidiary of the Company whose major asset is the Group's 21.8% equity interest in CIMC was disposed of in the same transaction. Long Honour had acquired the entire issued share capital and sale loan of COSCO Container. The disposal was completed on 27th June 2013 and resulted in a net gain of US$393,411,000 after deducting transaction costs of US$80,867,000. There was a net investing cash inflow from the discontinued operation amounting US$610,000,000 for the six months ended 30th June 2013. The remaining unsettled balance of the cash consideration will be received on or before 27th September 2013.

## 11. INTERIM AND SPECIAL INTERIM DIVIDENDS

| | Six months ended 30th June | |
|---|---|---|
| | **2013** | 2012 |
| | ***US$'000*** | *US$'000* |
| Interim dividend, declared of US2.396 cents (corresponding period of 2012: US2.640 cents) per ordinary share | **66,758** | 71,591 |
| Special interim dividend, declared of US5.648 cents (corresponding period of 2012: Nil) per ordinary share | **157,366** | - |
| | **224,124** | 71,591 |

Notes:

(a) At a meeting held on 26th March 2013, the directors recommended the payment of a final dividend of HK18.3 cents (equivalent to US2.364 cents) per ordinary share with a scrip dividend alternative for the year ended 31st December 2012. The final dividend, which was approved at the annual general meeting of the Company held on 23rd May 2013, was paid on 18th July 2013 and had been reflected as an appropriation of retained profits for the year ending 31st December 2013.

(b) At a meeting held on 27th August 2013, the directors declared an interim dividend of HK18.6 cents (equivalent to US2.396 cents) per ordinary share and a special interim dividend of HK43.8 cents (equivalent to US5.648 cents) per ordinary share. The dividends will be payable in cash and with a scrip dividend alternative. The interim and special interim dividends declared are not reflected as dividends payable in the Unaudited Condensed Consolidated Interim Financial Information, but will be reflected as an appropriation of retained profits for the year ending 31st December 2013.

## 12. EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

| | Six months ended 30th June | |
|---|---|---|
| | **2013** | 2012 |
| Profit from continuing operations attributable to equity holders of the Company | **US$143,822,000** | US$149,174,000 |
| Profit from discontinued operation attributable to equity holders of the Company | **US$416,470,000** | US$29,751,000 |
| | **US$560,292,000** | US$178,925,000 |
| Weighted average number of ordinary shares in issue | **2,786,211,582** | 2,711,783,573 |
| Basic earnings per share | | |
| - from continuing operations | **US5.16 cents** | US5.50 cents |
| - from discontinued operation | **US14.95 cents** | US1.10 cents |
| | **US20.11 cents** | US6.60 cents |

## 12. EARNINGS PER SHARE (Continued)

### (b) Diluted

Diluted earnings per share is calculated based on the profit attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the period, after adjusting for the number of dilutive potential ordinary shares deemed to be issued at no considerations as if all outstanding dilutive share options granted by the Company had been exercised.

| | Six months ended 30th June | |
|---|---|---|
| | **2013** | 2012 |
| Profit from continuing operations attributable to equity holders of the Company | **US$143,822,000** | US$149,174,000 |
| Profit from discontinued operation attributable to equity holders of the Company | **US$416,470,000** | US$29,751,000 |
| | **US$560,292,000** | US$178,925,000 |
| Weighted average number of ordinary shares in issue | **2,786,211,582** | 2,711,783,573 |
| Adjustments for assumed issuance of shares on exercise of dilutive share options | **325,039** | 276,009 |
| Weighted average number of ordinary shares for diluted earnings per share | **2,786,536,621** | 2,712,059,582 |
| Diluted earnings per share | | |
| - from continuing operations | **US5.16 cents** | US5.50 cents |
| - from discontinued operation | **US14.95 cents** | US1.10 cents |
| | **US20.11 cents** | US6.60 cents |

## 13. CONTINGENT LIABILITIES

A statement of claim was issued on 19th October 2009 by Aronis-Drettas-Karlaftis Consultant Engineers S.A. ("ADK") against the Company and Piraeus Terminal, a wholly owned subsidiary of the Company, in a civil claim at the Court of First Instance of Athens in Greece alleging non-payment of fees for design services and project management services. The plaintiff has claimed approximately Euro 5,800,000 (equivalent to approximately US$7,600,000) in total. The Company and Piraeus Terminal defended all material claims at the trial hearing held on 30th November 2010.

The Court of First Instance of Athens has issued and pronounced judgment on the case and has dismissed the aforementioned statement of claim in its entirety both as regards the Company and as regards Piraeus Terminal, and has awarded to the Company and Piraeus Terminal part of the legal expenses in the amount of Euro 30,000 (equivalent to approximately US$39,000) against the plaintiff (ADK). The plaintiff has filed an appeal against the judgment of the Court of First Instance of Athens according to Greek procedural law. The hearing of this appeal before the Court of Appeals of Athens has been re-scheduled from 13th November 2012 to 26th November 2013 due to the strike called by the Association of the Justices of the Greek courts. The directors and management of the Company, having taken legal advice, are of the view that the Company and Piraeus Terminal have good rebuttal to the arguments set forth in the appeal document. Nonetheless, it is still not possible to predict the final outcome of this litigation with certainty. No provision has been made for the claims.

## 14. EVENT AFTER THE BALANCE SHEET DATE

On 24th January 2013, the Group entered into an equity transfer agreement to acquire 39.04% equity interest in Taicang International Container Terminal Co., Ltd. ("Taicang Terminal") from COSCO. Consideration for the acquisition is RMB323,109,000 (equivalent to approximately US$52,300,000). The acquisition was completed on 22nd July 2013.

# INTERIM AND SPECIAL INTERIM DIVIDENDS

The directors have declared an interim dividend of HK18.6 cents (corresponding period of 2012: HK20.5 cents) per share and a special interim dividend of HK43.8 cents (corresponding period of 2012: Nil) per share for the six months ended 30th June 2013, with an option to receive new fully paid shares in lieu of cash ("Scrip Dividend Scheme").

The interim and special interim dividends will be payable to shareholders whose names appear on the register of members of the Company on 16th September 2013. The Scrip Dividend Scheme is conditional upon the granting of the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme by the Listing Committee of The Stock Exchange of Hong Kong Limited. Dividend warrants and share certificates for new shares to be issued under the Scrip Dividend Scheme will be despatched by ordinary mail on or about Wednesday, 23rd October 2013.

Details of the Scrip Dividend Scheme and the election form will be sent to shareholders on or about Friday, 27th September 2013.

# CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 12th September 2013 to Monday, 16th September 2013, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim and special interim dividends, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong Registrar and Transfer Office, Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 11th September 2013.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Review

Profit attributable to equity holders of COSCO Pacific for the first half of 2013 was US$560,292,000 (corresponding period of 2012: US$178,925,000), a 213.1% increase compared with the corresponding period of last year. Excluding profit from the discontinued container manufacturing business, profit attributable to equity holders of COSCO Pacific for the first half of 2013 was US$143,822,000 (corresponding period of 2012: US$149,174,000), a 3.6% decrease compared with the corresponding period of last year. Profit from the discontinued container manufacturing business included a net gain of US$393,411,000 on the disposal of its equity interest in CIMC and the share of profit of CIMC of US$23,059,000 during the period (corresponding period of 2012: US$29,751,000).

Profit from the terminal business for the first half of 2013 was US$92,830,000 (corresponding period of 2012: US$97,841,000), a 5.1% decrease compared with the corresponding period of last year. In the first half of 2013, the throughput of container terminals reached 29,494,353 TEU (corresponding period of 2012: 26,876,860 TEU), a 9.7% increase compared with last year. Equity throughput increased to 8,201,200 TEU (corresponding period of 2012: 7,581,363 TEU), an 8.2% increase compared with the corresponding period of last year. However, the tax holidays of 50% income tax relief for Qingdao Qianwan Container Terminal Co., Ltd. ("Qingdao Qianwan Terminal") and

Shanghai Pudong International Container Terminals Limited ("Shanghai Pudong Terminal") expired at the end of 2012. Meanwhile, Xiamen Ocean Gate Terminal, a subsidiary of the Group, is still in a ramp-up period and recorded an increased initial loss compared with the corresponding period of last year. In addition, COSCO-HIT Terminals (Hong Kong) Limited ("COSCO-HIT Terminal") recorded a decline in profit compared with the corresponding period of last year due to a strike and rising borrowing costs. A combination of the above factors has resulted in a slight decrease in the profit of the terminal business of COSCO Pacific in the first half of 2013.

For the container leasing, management and sale businesses, a profit of US$76,291,000 (corresponding period of 2012: US$72,766,000) was recorded for the period, a 4.8% increase compared with the corresponding period of last year. As at 30th June 2013, the fleet size of the Group increased to 1,874,826 TEU (30th June 2012: 1,797,377 TEU), a 4.3% increase compared with last year.

With regard to container manufacturing business, the Group completed the disposal of its 21.8% equity interest in CIMC on 27th June 2013 for a consideration of US$1,219,789,000, recording a net gain of US$393,411,000 on the disposal. COSCO Pacific's share of profit of CIMC for the first half of 2013, which is limited to the profit for the period from January to May as the disposal of its equity interest in CIMC had been completed in June, was US$23,059,000 (January to June of 2012: US$29,751,000), a 22.5% decrease compared with the corresponding period of last year. Including the net gain on the disposal of its equity interest in CIMC and the share of profit of CIMC for the period, the profit from the discontinued container manufacturing business amounted to US$416,470,000 (corresponding period of 2012: US$29,751,000).

## Financial Analysis

### Revenue

Revenue of the Group for the first half of 2013 was US$395,195,000 (corresponding period of 2012: US$367,355,000), a 7.6% increase compared with the corresponding period of last year. The revenue was primarily derived from the terminal business of US$217,066,000 (corresponding period of 2012: US$197,806,000) and the container leasing, management and sale businesses of US$180,234,000 (corresponding period of 2012: US$170,569,000).

Revenue from terminal business for the first half of 2013 increased by 9.7% compared with the corresponding period of last year. The increase was mainly derived from Xiamen Ocean Gate Terminal, Piraeus Terminal in Greece and Guangzhou South China Oceangate Terminal. Xiamen Ocean Gate Terminal, which commenced operation in May last year, recorded a revenue of US$9,882,000 (corresponding period of 2012: US$1,857,000) during the period. In addition, the throughput of Piraeus Terminal reached 1,160,630 TEU (corresponding period of 2012: 1,053,259 TEU) in the first half of 2013, contributing a revenue of US$73,330,000 (corresponding period of 2012: US$69,545,000) to the Group during the period, a 5.4% increase compared with the corresponding period of last year. The throughput of Guangzhou South China Oceangate Terminal was 2,110,113 TEU (corresponding period of 2012: 2,077,014 TEU) in the first half of 2013, and its revenue increased to US$61,725,000 (corresponding period of 2012: US$59,333,000), a 4.0% increase compared with the corresponding period of last year.

Revenue from container leasing, management and sale businesses for the first half of 2013 was US$180,234,000 (corresponding period of 2012: US$170,569,000), a 5.7% increase compared with the corresponding period of last year. The revenue primarily included container leasing income and revenue from the disposal of returned containers. As at 30th June 2013, the fleet capacity of owned containers and sale-and-leaseback containers reached 1,026,196 TEU and 250,290 TEU respectively (30th June 2012: 907,685 TEU and 229,283 TEU respectively). Given an increase in the fleet size during the period, revenue from container leasing for the first half of 2013 increased to US$147,102,000 (corresponding period of 2012: US$137,686,000), a 6.8% increase compared with the corresponding period of last year. On the other hand, the number of returned containers disposed of during the first half of 2013 was 20,198 TEU (corresponding period of 2012: 19,522 TEU). The revenue from the disposal of returned containers was US$26,096,000 (corresponding period of 2012: US$26,843,000).

## Cost of sales

Cost of sales mainly comprised depreciation charges on owned containers, net carrying amount of returned containers disposed of, rental expenses of sale-and-leaseback containers and operating expenses of the terminal companies in which the Group has controlling stakes. Cost of sales in the first half of 2013 was US$222,217,000 (corresponding period of 2012: US$201,885,000), a 10.1% increase compared with the corresponding period of last year. Of this, cost of sales of terminal business was US$141,691,000 (corresponding period of 2012: US$125,549,000), a 12.9% increase compared with the corresponding period of last year. The increase was mainly attributable to a rise in the related cost of sales resulted from an increase in the business volume of terminals in which the Group has controlling stakes. In addition, the cost of sales of Xiamen Ocean Gate Terminal, which commenced operation in May last year, has been fully reflected in the first half of 2013, which also caused an increase in the overall cost of sales of COSCO Pacific. Cost of sales of container leasing, management and sale businesses was US$80,697,000 (corresponding period of 2012: US$76,347,000) in the first half of 2013, a 5.7% increase compared with the corresponding period of last year. Depreciation charges for containers were US$51,327,000 (corresponding period of 2012: US$50,056,000) for the first half of 2013. The net carrying amount of returned containers disposed of during the period was US$10,861,000 (corresponding period of 2012: US$10,759,000).

## Administrative expenses

Administrative expenses in the first half of 2013 were US$40,867,000 (corresponding period of 2012: US$41,643,000), a 1.9% decrease compared with the corresponding period of last year. The overall administrative expenses of COSCO Pacific decreased in the period as companies at all levels controlled costs strictly.

## Other operating income, net

Net other operating income for the period was US$4,856,000 (corresponding period of 2012: US$2,056,000), which included a net exchange gain of US$314,000 (corresponding period of 2012: a net exchange loss of US$2,521,000) for the first half of 2013.

## Finance costs

The Group's finance costs in the first half of 2013 were US$46,212,000 (corresponding period of 2012: US$35,963,000), a 28.5% increase compared with the corresponding period of last year. The rise in finance costs was primarily attributable to an increase in the average balance of bank loans to US$2,850,444,000 (corresponding period of 2012: US$2,233,602,000) during the period, a 27.6% increase compared with the corresponding period of last year, which was a result of the Group's issue of US$300,000,000 10-year guaranteed notes at the end of January 2013 and increased borrowings by controlled subsidiaries in view of their business requirements. In addition, Xiamen Ocean Gate Terminal commenced operation in May last year, its interest expenses were expensed-off once its berths and terminal equipment were ready for use and caused an increase in finance costs. Taking into account capitalised interest, the average cost of bank borrowings in the first half of 2013, including the amortisation of transaction costs over bank loans and notes, was 3.58% (corresponding period of 2012: 3.75%).

## Share of profits less losses of jointly controlled entities and associates

Excluding the share of profit of CIMC which has been disposed of, the profit contribution from jointly controlled entities and associates for the first half of 2013 amounted to US$71,709,000 (corresponding period of 2012: US$77,453,000), representing a decrease of 7.4% compared with the corresponding period of last year. The decrease was mainly attributable to Qingdao Qianwan Terminal, Shanghai Pudong Terminal and COSCO-HIT Terminal. The tax holidays of 50% income tax relief for Qingdao Qianwan Terminal and Shanghai Pudong Terminal expired at the end of 2012. The Group's share of profit of Qingdao Qianwan Terminal for the period was US$14,362,000 (corresponding period of 2012: US$18,370,000), a 21.8% decrease compared with the corresponding period of last year. The Group's share of profit of Shanghai Pudong Terminal for the period was US$8,381,000 (corresponding period of 2012: US$10,853,000), a 22.8% decrease compared with the corresponding period of last year. The throughput of COSCO-HIT Terminal decreased to 849,819 TEU (corresponding period of 2012: 874,455 TEU) due to a strike. Meanwhile, as a result of an increase in labour costs and a rise in borrowing costs, the Group's share of profit of COSCO-HIT Terminal for the first half of 2013 decreased to US$9,750,000 (corresponding period of 2012: US$11,979,000), a 18.6% decrease compared with the corresponding period of last year. However, the decrease was partly offset by the strong performance of Yantian International Container Terminals Co., Ltd. ("Yantian Terminal") during the period. The throughput of Yantian Terminal in the first half of 2013 was 4,935,469 TEU (corresponding period of 2012: 4,824,317 TEU). The Group's share of profit of Yantian Terminal for the first half of 2013 was US$24,623,000 (corresponding period of 2012: US$23,178,000), a 6.2% increase compared with the corresponding period of last year.

### Income tax expenses

During the period, income tax expenses amounted to US$15,591,000 (corresponding period of 2012: US$12,935,000). This included a provision of approximately US$7,255,000 (corresponding period of 2012: US$6,133,000) for withholding income tax in respect of the profit distribution by certain investments of the Group in the PRC.

### Profit from discontinued operation

Profit from discontinued operation represents profit derived from the container manufacturing business. The Group has completed the disposal of its 21.8% equity interest in CIMC on 27th June 2013, recording a net gain of US$393,411,000 on the disposal. In addition, the Group has recognised its share of profit of CIMC of US$23,059,000 (corresponding period of 2012: US$29,751,000) for the period, a 22.5% decrease compared with the corresponding period of last year. Including the net gain on the disposal of its equity interest in CIMC and the share of profit of CIMC for the period, the total profit from the discontinued container manufacturing business amounted to US$416,470,000 (corresponding period of 2012: US$29,751,000).

## Financial Position

### Cash flow

Cash inflow of the Group remained steady in the first half of 2013. During the period, net cash from operating activities amounted to US$198,345,000 (corresponding period of 2012: US$207,872,000). The Group borrowed bank loans of US$425,388,000 (corresponding period of 2012: US$492,778,000), including US$300,000,000 10-year guaranteed notes issued by the Group in January 2013, and repaid US$220,318,000 (corresponding period of 2012: US$368,680,000) during the period.

During the period, an amount of US$233,878,000 (corresponding period of 2012: US$228,083,000) was paid in cash by the Group for the expansion of berths and purchase of property, plant and equipment, of which US$95,441,000 (corresponding period of 2012: US$59,337,000) was for the purchase of new containers. In addition, the total cash outflow for capital investment by COSCO Pacific amounted to US$41,840,000 in the first half of 2013, comprising net equity investment of US$31,794,000 for the acquisition of equity interest in Xiamen Haitou Tongda Terminal Co., Ltd. and US$10,046,000 used for capital injection in Ningbo Yuan Dong Terminals Limited ("Ningbo Yuan

Dong Terminal"). In the corresponding period of 2012, the total cash outflow for capital investment by COSCO Pacific amounted to US$25,793,000, comprising US$19,744,000 used for capital injection in Ningbo Yuan Dong Terminal and US$6,049,000 used for providing a shareholder's loan by Piraeus Terminal to its jointly controlled entity, Piraeus Consolidation and Distribution Centre S.A.

## Financing and credit facilities

As at 30th June 2013, the Group's total outstanding bank borrowings and cash balance amounted to US$2,854,949,000 (31st December 2012: US$2,601,697,000) and US$1,678,355,000 (31st December 2012: US$849,330,000) respectively. Banking facilities available but unused amounted to US$477,194,000 (31st December 2012: US$636,285,000).

## Assets and liabilities

As at 30th June 2013, the Group's total assets and total liabilities increased to US$8,283,713,000 (31st December 2012: US$7,363,858,000) and US$3,586,968,000 (31st December 2012: US$3,146,465,000) respectively. Net assets were US$4,696,745,000, representing an increase of 11.4% as compared with that of US$4,217,393,000 as at 31st December 2012. Net current assets as at 30th June 2013 amounted to US$1,158,360,000 (31st December 2012: net current liabilities of US$48,302,000). As at 30th June 2013, net asset value per share of the Company was US$1.69 (31st December 2012: US$1.51).

As at 30th June 2013, net debt-to-total equity ratio was 25.1% (31st December 2012: 41.6%), and the interest coverage was 13.6 times (corresponding period of 2012: 6.6 times). As at 30th June 2013, certain of the Group's non-current assets with an aggregate net book value of US$106,808,000 (31st December 2012: US$18,828,000) were pledged as securities against bank borrowings of US$265,558,000 (31st December 2012: US$197,858,000).

## Debt analysis

| | **As at 30th June 2013** | | As at 31st December 2012 | |
|---|---|---|---|---|
| **By repayment term** | **US$** | **(%)** | US$ | (%) |
| Within the first year | **823,944,000** | **28.9** | 775,042,000 | 29.8 |
| Within the second year | **421,469,000** | **14.8** | 414,914,000 | 15.9 |
| Within the third year | **334,844,000** | **11.7** | 558,290,000 | 21.5 |
| Within the fourth year | **215,159,000** | **7.5** | 162,898,000 | 6.3 |
| Within the fifth year and after | **1,059,533,000** | **37.1** | 690,553,000 | 26.5 |
| | **2,854,949,000 *** | **100.0** | 2,601,697,000 * | 100.0 |
| **By category** | | | | |
| Secured borrowings | **265,558,000** | **9.3** | 197,858,000 | 7.6 |
| Unsecured borrowings | **2,589,391,000** | **90.7** | 2,403,839,000 | 92.4 |
| | **2,854,949,000 *** | **100.0** | 2,601,697,000 * | 100.0 |
| **By denominated currency** | | | | |
| US dollar borrowings | **1,813,725,000** | **63.5** | 1,621,148,000 | 62.3 |
| RMB borrowings | **823,006,000** | **28.9** | 782,691,000 | 30.1 |
| Euro borrowings | **218,218,000** | **7.6** | 197,858,000 | 7.6 |
| | **2,854,949,000 *** | **100.0** | 2,601,697,000 * | 100.0 |

* Net of unamortised discount on notes and transaction costs on borrowings and notes.

## Financial guarantee contracts

As at 30th June 2013, the Group provided guarantees on a loan facility granted to an associate of US$21,986,000 (31st December 2012: US$24,428,000).

## Contingent liabilities

A statement of claim was issued on 19th October 2009 by ADK against the Company and Piraeus Terminal, a wholly owned subsidiary of the Company, in a civil claim at the Court of First Instance of Athens in Greece alleging non-payment of fees for design services and project management services. The plaintiff has claimed approximately Euro 5,800,000 (equivalent to approximately US$7,600,000) in total. The Company and Piraeus Terminal defended all material claims at the trial hearing held on 30th November 2010.

The Court of First Instance of Athens has issued and pronounced judgment on the case and has dismissed the aforementioned statement of claim in its entirety both as regards the Company and as regards Piraeus Terminal, and has awarded to the Company and Piraeus Terminal part of the legal expenses in the amount of Euro 30,000 (equivalent to approximately US$39,000) against the plaintiff (ADK). The plaintiff has filed an appeal against the judgment of the Court of First Instance of Athens before the Court of Appeals of Athens according to Greek procedural law. The hearing of this appeal before the Court of Appeals of Athens has been rescheduled from 13th November 2012 to 26th November 2013 due to the strike called by the Association of the Justices of the Greek courts. The directors and management of the Company, having taken legal advice, are of the view that the Company and Piraeus Terminal have good rebuttal to the arguments set forth in the appeal document. Nonetheless, it is still not possible to predict the final outcome of this litigation with certainty. No provision has been made for the claims.

## Treasury policy

The Group manages its foreign exchange risk by matching the currencies of its loans with the Group's functional currency of major cash receipts and underlying assets as far as possible. Borrowings for container leasing business are mainly denominated in US dollar, which is the same currency as the majority of its revenue and expenses so as to minimise potential foreign exchange exposure.

The financing activities of jointly controlled entities and associates were denominated in their respective functional currencies so as to minimise foreign exchange exposure in investments.

The Group continues to exercise stringent control over the use of financial derivatives to hedge against its interest rates exposure. As at 30th June 2013, outstanding interest rate swap contracts comprised nominal principal amounting to US$200,000,000 (31st December 2012: US$200,000,000) in total whereby the Group agreed to pay the banks interest at floating rates ranging from 105 basis points to 116 basis points (31st December 2012: 105 basis points to 116 basis points) above 6-month LIBOR in return for receiving interests from the banks at a fixed interest rate of 5.875% per annum (31st December 2012: 5.875%).

As at 30th June 2013, after adjustment of the fixed rate borrowings for the interest rate swap contracts, 14.0% (31st December 2012: 3.8%) of the Group's total borrowings were in fixed rate. The Group continues to monitor and regulate its fixed and floating rate debt portfolio from time to time in light of the market conditions, with a view to minimising its potential interest rate exposure.

## Event after the balance sheet date

On 24th January 2013, the Group entered into an equity transfer agreement to acquire 39.04% equity interest in Taicang Terminal from COSCO. Consideration for the acquisition is RMB323,109,000 (equivalent to approximately US$52,300,000). The acquisition was completed on 22nd July 2013.

## Operational Review

According to a report published by the International Monetary Fund in July 2013, the global economic growth remained weak in the first half of 2013, with prolonged economic recession in Europe and sluggish growth of the United States. The growth of China's economy and foreign trade further slowed down due to continued weakness in the external economy and a decline in local demand. According to the statistics from the Chinese Ministry of Commerce, the growth in China's imports and exports was 5.3% and 4.5% respectively in the first half of 2013. In addition, statistics from the Chinese Ministry of Transport showed that in the first half of 2013, the growth in the throughput of China's container ports slowed down to 8.3% from 8.8% in the corresponding period of last year. During the period, the Group maintained a stable growth in the total container throughput of its terminals. However, the terminal business recorded a decrease in profit as a result of rising costs. In respect of the container leasing business, the expansion of its container leasing fleet continued to drive growth in revenue and profit from container leasing.

### Terminals

Profit from the terminal business decreased by 5.1% to US$92,830,000 (corresponding period of 2012: US$97,841,000). Primarily due to a rise in income tax expenses for Qingdao Qianwan Terminal and Shanghai Pudong Terminal following the expiry of tax holidays, the Group's share of profit from Qingdao Qianwan Terminal and Shanghai Pudong Terminal decreased by 21.8% to US$14,362,000 (corresponding period of 2012: US$18,370,000) and by 22.8% to US$8,381,000 (corresponding period of 2012: US$10,853,000) respectively. In addition, the loss of Xiamen Ocean Gate Terminal increased compared with the corresponding period of last year as it is still in a ramp-up period. As a result of the impact of a strike and rising costs, profit contribution from COSCO-HIT Terminal decreased by 18.6% to US$9,750,000 (corresponding period of 2012: US$11,979,000).

Revenue from the terminal business grew by 9.7% to US$217,066,000 (corresponding period of 2012: US$197,806,000). Xiamen Ocean Gate Terminal, which commenced operation in May 2012, recorded revenue of US$9,882,000 (corresponding period of 2012: US$1,857,000) during the period, contributing to the growth in revenue from the terminal business for the first half of 2013. In addition, revenue from Piraeus Terminal and Guangzhou South China Oceangate Terminal grew by 5.4% to US$73,330,000 (corresponding period of 2012: US$69,545,000) and by 4.0% to US$61,725,000 (corresponding period of 2012: US$59,333,000) respectively.

The demand for consumer products in Europe and the United States remained weak, creating a greater impact on the throughput of major container ports in the Pearl River Delta and the Yangtze River Delta in China. Ports in the Bohai Rim region still outperformed those in the aforesaid two regions, on average.

In the first half of 2013, COSCO Pacific maintained a stable growth in its total container throughput, which rose by 9.7% to 29,494,353 TEU (corresponding period of 2012: 26,876,860 TEU). The Group's terminal companies in mainland China handled a total of 24,377,866 TEU (corresponding period of 2012: 22,302,104 TEU), up 9.3%. Equity throughput of the Group was up 8.2% to 8,201,200 TEU (corresponding period of 2012: 7,581,363 TEU).

During the period, the throughput of the Bohai Rim region was 12,009,347 TEU (corresponding period of 2012: 10,673,045 TEU), representing an increase of 12.5% and accounting for 40.7% of the Group's total throughput. Of this, the throughput of Qingdao Qianwan Terminal grew by 8.8% to 7,700,693 TEU (corresponding period of 2012: 7,076,924 TEU), with new calls from shipping companies commenced during the period. The throughput of Dalian Port Container Terminal Co., Ltd. and Tianjin Port Euroasia International Container Terminal Co., Ltd. grew by 37.8% to 1,355,131 TEU (corresponding period of 2012: 983,401 TEU) and by 20.7% to 899,460 TEU (corresponding period of 2012: 745,138 TEU) respectively.

The throughput of the Yangtze River Delta was 4,323,744 TEU (corresponding period of 2012: 3,928,777 TEU), representing an increase of 10.1% and accounting for 14.7% of the total throughput. Of this, the throughput of Ningbo Yuan Dong Terminal grew by 9.3% to 1,308,108 TEU (corresponding period of 2012: 1,196,903 TEU), driven by the opening of a number of new shipping routes. During the period, the throughput of Shanghai Pudong Terminal dropped by 6.7% to 975,468 TEU (corresponding period of 2012: 1,045,154 TEU) as a result of reinforcement and reconstruction works for the terminal platform which affected its normal operation.

The combined throughput of Southeast Coast and other regions reached 1,536,622 TEU (corresponding period of 2012: 798,951 TEU), representing an increase of 92.3% and accounting for 5.2% of the total throughput. Xiamen Ocean Gate Terminal commenced operation in May 2012 and handled 297,713 TEU (corresponding period of 2012: 33,540 TEU). 2013 is the first full year of operation after it commenced operation. In addition, the Group completed the acquisition of 10% equity interest in Kao Ming Container Terminal Corp. ("Kao Ming Terminal") in Port of Kaohsiung, Taiwan on 27th December 2012. Kao Ming Terminal is expected to contribute to the Group's full-year throughput in 2013, while its throughput during the period was 537,429 TEU. As a result of a decrease in the export of construction materials, the throughput of Quan Zhou Pacific Container Terminal Co., Ltd. ("Quan Zhou Pacific Terminal") decreased by 16.1% to 503,294 TEU (corresponding period of 2012: 599,708 TEU).

The throughput of the Pearl River Delta reached 7,895,401 TEU (corresponding period of 2012: 7,775,786 TEU), representing an increase of 1.5% and accounting for 26.8% of the total throughput. The throughput of COSCO-HIT Terminal decreased by 2.8% to 849,819 TEU (corresponding period of 2012: 874,455 TEU) due to a strike by Hong Kong dock workers. The throughput of Yantian Terminal increased by 2.3% to 4,935,469 TEU (corresponding period of 2012: 4,824,317 TEU). Since April 2012, Nansha port district has implemented measures to separate the handling of domestic cargoes and foreign trade cargoes. Guangzhou South China Oceangate Terminal was designated mainly to handle foreign trade cargoes. During the period, the terminal recorded a throughput of 2,110,113 TEU (corresponding period of 2012: 2,077,014), representing only a slight growth of 1.6% given the large base of the corresponding period of last year.

The throughput of overseas terminals reached 3,729,239 TEU (corresponding period of 2012: 3,700,301 TEU), representing an increase of 0.8% and accounting for 12.6% of the total throughput. Piraeus Terminal handled 1,160,630 TEU (2012: 1,053,259 TEU), up 10.2%. The completion of upgrading of Pier 2 at Piraeus Terminal in June 2012 increased the annual handling capacity from 1,600,000 TEU to 2,600,000 TEU. Meanwhile, the business performance of the terminal further improved as it is at an early stage of market expansion. COSCO-PSA Terminal Private Limited ("COSCO-PSA Terminal") entered into an agreement with PSA Corporation Limited ("PSA"), the remaining shareholder of the terminal, in 2012. The agreement allowed PSA to lease 40% of the annual operating capacity of COSCO-PSA Terminal, commencing in July 2012. As a result, the throughput of COSCO-PSA Terminal declined by 27.4% to 480,110 TEU (corresponding period of 2012: 661,731 TEU). During the period, the throughput of Antwerp Gateway NV (Antwerp Terminal) in Belgium grew by 14.3% to 628,771 TEU (corresponding period of 2012: 549,876 TEU), driven by the commencement of calls by an international shipping company in mid-October 2012 which improved its operational performance.

One berth at Pier 3 of Piraeus Terminal with an annual handling capacity of 700,000 TEU commenced operation in June 2013. Equipped with state-of-the-art equipment and capable of handling container vessels with a capacity of 18,000 TEU, Pier 3 has been providing international shipping companies in Mediterranean with efficient and reliable services. With a total annual handling capacity of 1,200,000 TEU, Berths 10 and 11 of Ningbo Yuan Dong Terminal commenced operation in the first quarter of 2013. With a depth of 22 metres, these two berths are the only berths in Ningbo Port capable of receiving container vessels with a capacity of 18,000 TEU. They provide loading and unloading services for large container vessels, enhancing the competitiveness of the terminal.

As at 30th June 2013, there were 102 berths (corresponding period of 2012: 95) under the Group's operating container terminals, with a total annual handling capacity of 62,200,000 TEU (corresponding period of 2012: 56,850,000 TEU). There were nine break-bulk berths (corresponding period of 2012: eight), with a total annual handling capacity of 13,050,000 tons (corresponding period of 2012: 9,050,000 tons). Newly-added annual handling capacity during the period included Piraeus Terminal (700,000 TEU), Ningbo Yuan Dong Terminal (1,200,000 TEU) and Xiamen Ocean Gate Terminal (4,000,000 tons).

On 29th May 2013, the Group, Qingdao Port Group, China Merchants Holding International and IMC Group entered into an agreement, whereby a joint venture would be established to operate an iron ore terminal which had been built at Dongjiakou port area. The terminal is equipped with a 300,000-ton berth especially for receiving and unloading iron-ore vessels and a 200,000-ton berth for iron ore transhipment. The designed annual handling capacity of the terminal is approximately 29,000,000 tons. The total investment in the joint venture is approximately RMB3,800,000,000. The Group will hold its 25% interest in the terminal. The investment in the project offers a long-term investment value, which is in line with COSCO Pacific's corporate strategy to diversify its terminal business. The joint venture is expected to commence operating this terminal in the fourth quarter of 2013.

**Regional breakdown of total throughput**

| | **1H 2013 (TEU)** | **y-o-y change (%)** | **% of total throughput** |
|---|---|---|---|
| Bohai Rim | 12,009,347 | +12.5 | 40.7 |
| Yangtze River Delta | 4,323,744 | +10.1 | 14.7 |
| Southeast Coast and others | 1,536,622 | +92.3 | 5.2 |
| Pearl River Delta | 7,895,401 | +1.5 | 26.8 |
| Overseas | 3,729,239 | +0.8 | 12.6 |
| **Total throughput** | **29,494,353** | **+9.7** | **100.0** |

**Regional breakdown of equity throughput** (calculated according to the shareholding proportion of the Group)

| | **1H 2013 (TEU)** | **y-o-y change (%)** | **% of total throughput** |
|---|---|---|---|
| Bohai Rim | 2,340,826 | +9.5 | 28.5 |
| Yangtze River Delta | 1,243,697 | +9.8 | 15.2 |
| Southeast Coast and others | 835,154 | +42.9 | 10.2 |
| Pearl River Delta | 1,967,939 | +0.9 | 24.0 |
| Overseas | 1,813,584 | +2.2 | 22.1 |
| **Total equity throughput** | **8,201,200** | **+8.2** | **100.0** |

## Throughput of terminal companies

| Terminal companies | 1H 2013 (TEU) | 1H 2012 (TEU) | change (%) |
|---|---|---|---|
| **Bohai Rim** | **12,009,347** | **10,673,045** | **+12.5** |
| Qingdao Qianwan Container Terminal Co., Ltd. Note 1 | 7,700,693 | 7,076,924 | +8.8 |
| Dalian Port Container Terminal Co., Ltd. | 1,355,131 | 983,401 | +37.8 |
| Tianjin Five Continents International Container Terminal Co., Ltd. | 1,162,015 | 1,048,546 | +10.8 |
| Tianjin Port Euroasia International Container Terminal Co., Ltd. | 899,460 | 745,138 | +20.7 |
| Yingkou Container Terminals Company Limited | 892,048 | 819,036 | +8.9 |
| **Yangtze River Delta** | **4,323,744** | **3,928,777** | **+10.1** |
| Shanghai Pudong International Container Terminals Limited | 975,468 | 1,045,154 | -6.7 |
| Ningbo Yuan Dong Terminals Limited | 1,308,108 | 1,196,903 | +9.3 |
| Zhangjiagang Win Hanverky Container Terminal Co., Ltd. | 670,978 | 558,732 | +20.1 |
| Yangzhou Yuanyang International Ports Co., Ltd. | 206,234 | 194,128 | +6.2 |
| Nanjing Port Longtan Container Co., Ltd. | 1,162,956 | 933,860 | +24.5 |
| **Southeast Coast and others** | **1,536,622** | **798,951** | **+92.3** |
| Quan Zhou Pacific Container Terminal Co., Ltd. | 503,294 | 599,708 | -16.1 |
| Jinjiang Pacific Ports Development Co., Ltd. | 198,186 | 165,703 | +19.6 |
| Xiamen Ocean Gate Container Terminal Co., Ltd | 297,713 | 33,540 | +787.6 |
| Kao Ming Container Terminal Corp. | 537,429 | - | N/A |
| **Pearl River Delta** | **7,895,401** | **7,775,786** | **+1.5** |
| COSCO-HIT Terminals (Hong Kong) Limited | 849,819 | 874,455 | -2.8 |
| Yantian International Container Terminals Co., Ltd | 4,935,469 | 4,824,317 | +2.3 |
| Guangzhou South China Oceangate Container Terminal Company Limited | 2,110,113 | 2,077,014 | +1.6 |
| **Overseas** | **3,729,239** | **3,700,301** | **+0.8** |
| Piraeus Container Terminal S.A. | 1,160,630 | 1,053,259 | +10.2 |
| Suez Canal Container Terminal S.A.E. | 1,459,728 | 1,435,435 | +1.7 |
| COSCO-PSA Terminal Private Limited | 480,110 | 661,731 | -27.4 |
| Antwerp Gateway NV | 628,771 | 549,876 | +14.3 |
| **Total container throughput** | **29,494,353** | **26,876,860** | **+9.7** |

Note 1: Throughput of Qingdao Qianwan Terminal included the throughput of Qingdao Qianwan United Container Terminal Co., Ltd. ("Qingdao Qianwan United Terminal") and Qingdao Qianwan United Advance Container Terminal Co., Ltd. ("Qingdao Qianwan United Advance Terminal"), both are jointly controlled entities held by Qingdao Qianwan Terminal. The throughput of Qingdao Qianwan United Terminal and Qingdao Qianwan United Advance Terminal in the first half of 2013 were 2,117,350 TEU (corresponding period of 2012: 1,478,984 TEU) and 658,336 TEU (corresponding period of 2012: 526,099 TEU), representing an increase of 43.2% and 25.1% respectively.

Note 2: The total throughput of break-bulk cargo in the first half of 2013 was 17,146,526 tons (corresponding period of 2012: 11,450,486 tons), representing an increase of 49.7%. The throughput of Dalian Automobile Terminal Co., Ltd. reached 159,827 vehicles (corresponding period of 2012: 107,102 vehicles), representing an increase of 49.2%.

## Container Leasing, Management and Sale

Given the continued global economic downturn, deceleration of economic growth in the United States and China in the second quarter and prolonged economic recession in Europe, the growth in international trade and container shipping was sluggish in the first half of 2013 despite new shipping capacity launched by shipping companies. As a result, the market demand for new containers and container leasing services was weak during the first half of 2013. During the period, the Group's container leasing fleet size continued to increase, driving the growth in revenue from container leasing, and the performance of container leasing, management and sale businesses remained stable.

The Group's container leasing, management and sale businesses, operated and managed by the Group's wholly owned subsidiary, Florens Container Holdings Limited and its subsidiaries, recorded a rise in profit by 4.8% to US$76,291,000 (corresponding period of 2012: US$72,766,000) in the first half of 2013.

The Group's container leasing business mainly focused on long-term leases, maintaining a relatively high utilisation rate and providing a stable source of income. Long-term leases accounted for 95.3% (corresponding period of 2012: 94.6%) of the total container leasing revenue in the first half of 2013, while revenue from master leases accounted for 4.7% (corresponding period of 2012: 5.4%). The overall average utilisation rate of the Group's containers was 94.5% (corresponding period of 2012: 95.2%), slightly higher than the industry average of approximately 94% (corresponding period of 2012: approximately 94.7%).

Revenue from the Group's container leasing, management and sale businesses was US$180,234,000 (corresponding period of 2012: US$170,569,000), representing an increase of 5.7%. The growth was mainly attributable to the increase in revenue from container leasing.

Of this, revenue from container leasing increased by 6.8% to US$147,102,000 (corresponding period of 2012: US$137,686,000), which was mainly attributable to an increase in the fleet size of owned containers and sale-and-lease back containers by 12.3% to 1,276,486 TEU (30th June 2012: 1,136,968 TEU). Revenue from container leasing represented 81.6% (corresponding period of 2012: 80.7%) of the total revenue of the container leasing, management and sale businesses.

At the same time, the number of returned containers disposed of was 20,198 TEU (corresponding period of 2012: 19,522 TEU). Of this, the number of containers returned from COSCO Container Lines Company Limited ("COSCON") upon expiry of 10-year leases was 20,196 TEU (corresponding period of 2012: 19,498 TEU). However, due to a fall in the selling price of returned containers, revenue from the disposal of returned containers decreased by 2.8% to US$26,096,000 (corresponding period of 2012: US$26,843,000), representing 14.5% (corresponding period of 2012: 15.7%) of the total revenue.

The fleet size of managed containers declined by 9.4% to 598,340 TEU (30th June 2012: 660,409 TEU). However, the number of managed containers disposed of on behalf of their owners rose compared with the corresponding period of last year, leading to an increase in revenue received for the management of such portion. Therefore, revenue from container management increased by 5.2% to US$3,819,000 (corresponding period of 2012: US$3,630,000), representing 2.1% (corresponding period of 2012: 2.1%) of the total revenue.

**Breakdown of revenue from container leasing, management and sale businesses**

| | 1H 2013 (US$) | y-o-y change (%) | % of total revenue |
|---|---|---|---|
| Container leasing | 147,102,000 | +6.8 | 81.6 |
| Disposal of returned containers | 26,096,000 | -2.8 | 14.5 |
| Container management | 3,819,000 | +5.2 | 2.1 |
| Others | 3,217,000 | +33.5 | 1.8 |
| **Total revenue** | **180,234,000** | **+5.7** | **100.0** |

**Fleet capacity movement**

| | 2013 (TEU) | 2012 (TEU) | change (%) |
|---|---|---|---|
| **Fleet capacity as at 1st January** | **1,855,597** | 1,777,792 | **+4.4** |
| New containers purchased | **65,000** | 47,642 | **+36.4** |
| Containers returned from COSCON upon expiry of leases | | | |
| - Total | **(11,678)** | (12,859) | **-9.2** |
| - Re-leased | **289** | 1,052 | **-72.5** |
| - Disposal of and pending for disposal | **(11,389)** | (11,807) | **-3.5** |
| Ownership transferred to customers upon expiry of finance leases | **(31)** | - | **N/A** |
| Defective containers written off | **(14)** | (9) | **+55.6** |
| Total loss of containers declared and compensated by customers | **(34,337)** | (16,241) | **+111.4** |
| **Fleet capacity as at 30th June** | **1,874,826** | 1,797,377 | **+4.3** |

As at 30th June 2013, the Group's container fleet reached 1,874,826 TEU (30th June 2012: 1,797,377 TEU), representing a 4.3% increase. The Group was the world's fourth largest container leasing company. The average age of container fleet was 6.54 years (corresponding period of 2012: 6.40 years).

During the period, the Group ordered new containers of 70,000 TEU (corresponding period of 2012: approximately 103,000 TEU). New containers delivered to the Group amounted to 65,000 TEU (corresponding period of 2012: 47,642 TEU), all of which was purchased for COSCON (corresponding period of 2012: 16,000 TEU was purchased for COSCON, accounting for 33.6% of the delivered new containers; 31,642 TEU was purchased for international customers, accounting for 66.4% of the delivered new containers). The capital expenditure on the purchase of new containers was US$126,247,000 (corresponding period of 2012: US$119,443,000).

During the period, the number of containers returned from COSCON upon expiry of 10-year leases was 11,678 TEU (corresponding period of 2012: 12,859 TEU), representing a decrease of 9.2%.

**Breakdown of owned, managed and sale-and-leaseback containers**

| As at 30th June | Leasing Customers | **2013 (TEU)** | 2012 (TEU) | **change (%)** |
|---|---|---|---|---|
| Owned containers | COSCON | **441,400** | 320,761 | **+37.6** |
| Owned containers | International customers | **584,796** | 586,924 | **-0.4** |
| Sale-and-leaseback containers | COSCON | **250,290** | 229,283 | **+9.2** |
| Managed containers | International customers | **598,340** | 660,409 | **-9.4** |
| **Total** | | **1,874,826** | 1,797,377 | **+4.3** |

| As at 30th June | Leasing Customers | **2013 % of total** | 2012 % of total | **change (pp)** |
|---|---|---|---|---|
| Owned containers | COSCON | **23.5** | 17.8 | **+5.7** |
| Owned containers | International customers | **31.2** | 32.7 | **-1.5** |
| Sale-and-leaseback containers | COSCON | **13.4** | 12.8 | **+0.6** |
| Managed containers | International customers | **31.9** | 36.7 | **-4.8** |
| **Total** | | **100.0** | 100.0 | **-** |

As at 30th June 2013, the owned container fleet reached 1,026,196 TEU (30th June 2012: 907,685 TEU), representing 54.7% (30th June 2012: 50.5%) of the total container fleet. The sale-and-leaseback container fleet size amounted to 250,290 TEU (30th June 2012: 229,283 TEU), representing 13.4% (30th June 2012: 12.8%) of the total container fleet size. The managed container fleet size amounted to 598,340 TEU (30th June 2012: 660,409 TEU), representing 31.9% (30th June 2012: 36.7%) of the total fleet size.

Classified by customers, COSCON leased 691,690 TEU (30th June 2012: 550,044 TEU), while international customers took up 1,183,136 TEU (30th June 2012: 1,247,333 TEU), representing 36.9% (30th June 2012: 30.6%) and 63.1% (30th June 2012: 69.4%) of the total fleet size respectively.

## CORPORATE GOVERNANCE

The Company continues to maintain high standards of corporate governance so as to promote transparency and ensure better protection of shareholders' interest as a whole. The Company has fully complied with the code provisions of Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules'') throughout the six months ended 30th June 2013.

## BOARD COMMITTEES

### Audit Committee

The Audit Committee of the Company comprises three independent non-executive directors of the Company. The Audit Committee has reviewed, in the presence of the internal and external auditors, the Group's principal accounting policies and the unaudited condensed consolidated interim financial information for the six months ended 30th June 2013.

### Remuneration Committee

The Remuneration Committee of the Company comprises five members, a majority of whom are independent non-executive directors. The Committee formulates the remuneration policy of directors and senior management of the Group, reviews their remuneration packages and makes recommendations to the Board regarding the directors' fee and annual salary of executive directors and senior management.

### Nomination Committee

The Nomination Committee of the Company comprises four members, a majority of whom are independent non-executive directors. The Committee reviews the structure, size and composition of the Board and identifies individuals suitably qualified to become Board members and make recommendations to the Board and assessing the independence of all independent non-executive directors.

### Other Board Committees

In addition to the above committees, the Board has also established various committees which include the Executive Committee, the Investment and Strategic Planning Committee, the Corporate Governance Committee and the Risk Management Committee. Each committee has its defined scope of duties and terms of reference. The terms of reference of the above committees have been posted on the Company's website at www.coscopac.com.hk.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code'') set out in Appendix 10 of the Listing Rules as the Company's code of conduct and rules governing dealings by all directors in the securities of the Company. Having made specific enquiry of all directors of the Company, they all confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30th June 2013.

## PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company has not redeemed any of its shares during the six months ended 30th June 2013. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed shares during the six months ended 30th June 2013.

## INVESTOR RELATIONS

COSCO Pacific has always regarded investor relations as an important aspect of corporate governance and has been seeking to further improve the quality of corporate information disclosure to make available to the market the development strategies and the latest business conditions of the Company. During the period, the Company participated in five investor conferences organised by investment banks and conducted two roadshows. The Company met with a total of 262 investors, analysts and media representatives through one-on-one and group meetings. The Company also arranged three visits to its terminals for investors. The Company's management is committed to improving corporate governance performance. During the period, the Company was greatly encouraged by winning the Corporate Governance Asia Recognition Award given by Corporate Governance Asia magazine for the seventh consecutive year, which reflected the recognition and appreciation of COSCO Pacific's corporate governance and investor relations from institutional investors. In addition, the Company received the Outstanding China Enterprise Award from Capital magazine for the second consecutive year.

# CORPORATE SUSTAINABLE DEVELOPMENT

## Environmental Protection

COSCO Pacific upholds measures and policies on environmental protection and improvement. Environmental protection is taken into account during the course of our business development. We are committed to implementing the philosophy of environmental management in our business operations and promoting awareness of environmental protection in employee activities, with a view to minimising the impact of our daily operation on the environment. The Group encourages its subsidiary terminals to give preference to equipment with energy-saving technologies when purchasing new equipment. The Group supports its subsidiary terminals to invest in technical renovation by substituting fuel-powered equipment with electrical equipment. Four of the terminals in which the Group has controlling stakes, including Guangzhou South China Oceangate Terminal, Yangzhou Yuanyang International Ports Co., Ltd., Quan Zhou Pacific Terminal and Zhangjiagang Win Hanverky Container Terminal Co., Ltd., have completed the renovation by substituting fuel-powered equipment with electrical equipment for a total of 83 sets of equipment. The Group has initiated research and development of high power LED lighting for terminals. The Group has also been promoting measures and technologies for energy conservation and carbon emission reduction through technology sharing among the terminals.

## Caring for the Community

The Company is committed to embracing its corporate citizenship through active participation in social welfare and community services, producing a positive impact on the communities it operates in. The Group and its subsidiaries in different regions also care for and assist in the affairs of local communities through various means. Our employees in mainland China took an active part in donation activities held by the COSCO Charity Foundation. These included the donation activity "Care for Ya'an", which raised funds for those affected in the quake-stricken area in Ya'an, Sichuan, China in April, and the fundraising activity "Desks and chairs of care", which helped students in remote mountainous areas. The Group's terminals along the coast of Fujian Province and the Yangtze River Basin hold activities to enhance interaction with the local communities and make donations to local schools and social service organisations, contributing to the development of harmonious communities.

## Employee-Oriented Philosophy

As at 30th June 2013, COSCO Pacific had a total of 3,247 employees.

COSCO Pacific values employees as its most valuable asset and is devoted to building a team of dedicated staff in pursuit of excellence. The expansion of the Group's businesses has opened up valuable and sustainable career development opportunities for its employees. Dedicated to creating a harmonious working environment, the Group arranges a wide range of training programmes designed to enhance the management skills and professionalism of its staff. The Group focuses on improving its incentive scheme, optimising its employee assessment system and implementing an internal job rotation scheme to enhance talent development and bring the potential of its staff into full play. The Group encourages its employees to pursue further education and organises training of various kinds. The Group also arranges an array of activities to promote integration of different cultures, in an effort to create a harmonious working environment which enhances the overall quality and cohesion of staff. In the first half of 2013, the Company held two sessions of "COSCO Pacific Terminals - Senior Management Training" at Qingdao Ocean Shipping Mariners College. Participants were staff members from the terminals in which the Group has controlling stakes. In the first half of the year, the Company provided training to a total of 60 senior management staff members.

In order to provide employees with a safe working environment, the Group has launched a "Production Safety Month" campaign in its terminals to raise the awareness of occupational health and safety among its employees through safety education and drills. In addition, the Group has improved its safety management system and allocated resources to provide staff with comprehensive safety and health protection.

### Corporate Culture

The Group is committed to developing a harmonious and inclusive corporate culture that pursues excellence, with a view to giving momentum to sustainable corporate development. In April 2013, the opening ceremony of COSCO Pacific Limited Corporate Culture Exhibition Hall was held at Xiamen Ocean Gate Container Terminal. Centred on the theme "Win", the exhibition hall displays the development of COSCO Pacific since it was listed in Hong Kong in 1994. At the same time, the Group released its corporate video "Win" at its website. The Group has further enriched the contents of its corporate magazine "COSCO PACIFIC" and renovated its website. In addition, the Group has introduced a WeChat public platform "coscopacific" to provide staff with an interactive platform for learning and communication.

Based on COSCO's values "harmonious development and win-win global cooperation", and COSCO's operating philosophy "trustworthy global carrier", the Group has defined its core values as follows:

Corporate vision: to be a world-class terminal operator and container leasing enterprise;
Corporate mission: to facilitate the development of shipping and trading, drive regional development and create value for shareholders and employees;
Core values: to promote trustworthiness, seek win-win results in cooperation, achieve excellence with professionalism and create harmony through open-mindedness.

A wholesome corporate culture is favourable soil that fosters the development of an enterprise. The Group's Piraeus Terminal in Greece has achieved outstanding results through an integrated corporate culture and Chinese-style management. Some internationally known media including the New York Times, Deutsche Welle, Hong Kong Mingpao and People's Daily Overseas Edition have published or reproduced exclusive interviews with Piraeus Terminal, adding to the Company's reputation.

### Commitment to Better Sustainable Development

COSCO Pacific was included as a constituent of the Hang Seng Corporate Sustainability Benchmark Index with effect from 10th September 2012. This reflects the market recognition for the Company's efforts in corporate governance, environmental protection, community care and employee relations.

The Company will further optimise its sustainable development strategy. We will set the direction for development, establish a system for the measurement of progress, and integrate sustainable development into the daily management of COSCO Pacific, while enhancing the communication with stakeholders.

## PROSPECTS

Given the continued global economic downturn and a further slowdown in China's trade growth in the first half of 2013, the outlook for the global shipping industry remains challenging. However, the Group recorded a steady growth in its total container throughput and revenue from container leasing during the period. Therefore, the Group is still cautiously optimistic about the prospects of its two core businesses.

As for the terminal business, the Group recorded an increase of 9.7% in its total throughput for the first half of the year, in line with the Group's forecast and close to 10%, the high end of the range targeted by management. Looking ahead to the second half of 2013, the Group will be committed to meeting the full-year target for throughput growth in 2013, and the throughput is believed to grow steadily. In line with the Group's forecast at the beginning of the year, the Group's terminal business will continue to be affected by upward pressure on costs, rises in income tax expenses for some fully-developed terminals in mainland China as well as the relatively high costs incurred by Xiamen Ocean Gate Terminal at its preliminary stage of operation.

With regard to the container leasing, management and sale businesses, the Group maintained steady growth in revenue from container leasing although the market demand for new containers and container leasing services remained weak in the first half of 2013. Looking ahead to the second half of 2013, the 70,000 TEU new containers ordered by the Group in the first half of the year have already been booked and will be delivered in succession, which will provide the Group with stable revenue from container leasing.

The disposal of its 21.8% equity interest in CIMC was completed on 27th June 2013. The disposal provided the Group with a good opportunity to focus resources on its two core businesses, namely the terminal business and the container leasing business, with a view to enhancing the position of COSCO Pacific as a global leader in the industry, improving its profitability, and creating enhanced value for shareholders in the medium-to-long term. Looking ahead, the Group will continue to implement its long-term strategy which focuses on the development of the terminal business, and actively explore and assess investment opportunities in terminal projects in China, Southeast Asia, North America and Europe. In addition, through continuous investment in the container leasing business, the Group will continue to expand its container leasing fleet, optimise the lease mix and provide comprehensive container leasing services to its customers.

## MEMBERS OF THE BOARD

As at the date of this announcement, the Board comprises Mr. LI Yunpeng[2] (Chairman), Dr. WANG Xingru[1] (Vice Chairman and Managing Director), Mr. WAN Min[2], Mr. FENG Jinhua[1], Mr. FENG Bo[1], Mr. WANG Haimin[2], Mr. WANG Wei[2], Mr. TANG Runjiang[1], Dr. WONG Tin Yau, Kelvin[1], Mr. QIU Jinguang[1], Mr. Timothy George FRESHWATER[3], Dr. FAN HSU Lai Tai, Rita[3], Mr. Adrian David LI Man Kiu[3], Mr. IP Sing Chi[3] and Mr. FAN Ergang[3].

1 Executive Director
2 Non-executive Director
3 Independent Non-executive Director

By Order of the Board
**COSCO Pacific Limited**
**WANG Xingru**
*Vice Chairman & Managing Director*

Hong Kong, 27th August 2013