



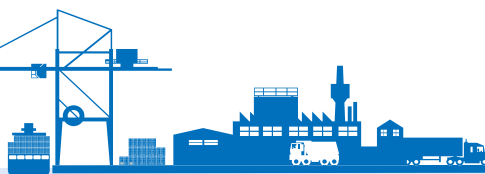
COSCO Pacific Limited
中遠太平洋有限公司



Interim Report 中期報告

2013

CONTENTS



1	INTERIM RESULTS
2	Unaudited Condensed Consolidated Balance Sheet
4	Unaudited Condensed Consolidated Income Statement
5	Unaudited Condensed Consolidated Statement of Comprehensive Income
6	Unaudited Condensed Consolidated Statement of Changes in Equity
7	Unaudited Condensed Consolidated Statement of Cash Flows
8	Notes to the Unaudited Condensed Consolidated Interim Financial Information
39	REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
40	INTERIM AND SPECIAL INTERIM DIVIDENDS
40	CLOSURE OF REGISTER OF MEMBERS
40	MANAGEMENT DISCUSSION AND ANALYSIS
40	Financial Review
41	Financial Analysis
44	Financial Position
46	Operational Review
54	SHARE OPTIONS
55	DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES
60	SUBSTANTIAL INTEREST IN THE SHARE CAPITAL OF THE COMPANY
61	CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS
62	DISCLOSURE UNDER RULE 13.22 OF CHAPTER 13 OF THE LISTING RULES
62	CORPORATE GOVERNANCE
63	BOARD COMMITTEES
63	MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS
63	PURCHASE, SALE OR REDEMPTION OF LISTED SHARES
64	INVESTOR RELATIONS
64	CORPORATE SUSTAINABLE DEVELOPMENT
66	PROSPECTS
67	MEMBERS OF THE BOARD

INTERIM RESULTS

The board of directors (the “Board”) of COSCO Pacific Limited (the “Company” or “COSCO Pacific”) is pleased to present the interim report, including the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30th June 2013. The interim report has been reviewed by the Company’s Audit Committee.

The Group’s unaudited condensed consolidated interim financial information as set out on pages 2 to 38 has also 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	6	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	18	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	7	77,115	73,841
		5,736,662	6,271,491
Current assets			
Inventories		8,979	12,746
Trade and other receivables	8	857,448	221,728
Derivative financial instruments	9	2,269	8,563
Restricted bank deposits	10	113	907
Cash and cash equivalents	10	1,678,242	848,423
		2,547,051	1,092,367
Total assets		8,283,713	7,363,858
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	11	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

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
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		31,052	50,678
Long term borrowings	12	2,031,005	1,826,655
Loans from non-controlling shareholders of subsidiaries	13	122,814	121,714
Other long term liabilities		13,406	6,749
		2,198,277	2,005,796
Current liabilities			
Trade and other payables	14	473,386	358,200
Current income tax liabilities		91,361	7,427
Current portion of long term borrowings	12	732,489	688,260
Short term bank loans	12	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

The accompanying notes on pages 8 to 38 are an integral part of these unaudited condensed consolidated interim financial information.

Unaudited Condensed Consolidated Income Statement

For the six months ended 30th June 2013

		Six months ended 30th June	
		2013	2012
		US\$'000	US\$'000
	Note		
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	15	136,967	125,883
Finance income	16	5,311	2,716
Finance costs	16	(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	17	(15,591)	(12,935)
Profit for the period from continuing operations		152,184	157,154
Discontinued operation:			
Net gain on disposal of an associate	18	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	19	66,758	71,591
— special interim	19	157,366	—
		224,124	71,591
Earnings per share for profit attributable to equity holders of the Company			
Basic			
— from continuing operations	20	US5.16 cents	US5.50 cents
— from discontinued operation	20	US14.95 cents	US1.10 cents
		US20.11 cents	US6.60 cents
Diluted			
— from continuing operations	20	US5.16 cents	US5.50 cents
— from discontinued operation	20	US14.95 cents	US1.10 cents
		US20.11 cents	US6.60 cents

The accompanying notes on pages 8 to 38 are an integral part of these unaudited condensed consolidated interim financial information.

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June 2013

	Six months ended 30th June	
	2013 US\$'000	2012 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

The accompanying notes on pages 8 to 38 are an integral part of these unaudited condensed consolidated interim financial information.

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June 2013

	Capital and reserves attributable to the equity holders of the Company US\$'000	Non- controlling interests US\$'000	Total US\$'000
Total equity at 1st January 2013	3,954,020	263,373	4,217,393
Total comprehensive income for the period	522,231	14,626	536,857
Issue of shares on exercising of share options	215	—	215
Capital contribution from a non-controlling shareholder of a subsidiary	—	11,021	11,021
Dividends paid to			
— equity holders of the Company	(65,866)	—	(65,866)
— a non-controlling shareholder of a subsidiary	—	(2,875)	(2,875)
	456,580	22,772	479,352
Total equity at 30th June 2013	4,410,600	286,145	4,696,745
Total equity at 1st January 2012	3,627,312	252,847	3,880,159
Total comprehensive income for the period	179,637	6,681	186,318
Share of reserves of an associate	910	—	910
Dividend paid to equity holders of the Company	(60,744)	—	(60,744)
	119,803	6,681	126,484
Total equity at 30th June 2012	3,747,115	259,528	4,006,643

The accompanying notes on pages 8 to 38 are an integral part of these unaudited condensed consolidated interim financial information.

Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June 2013

	Six months ended 30th June	
	2013	2012
	US\$'000	US\$'000
Net cash generated from operating activities	198,345	207,872
Net cash generated from/(used in) investing activities	479,003	(80,999)
Net cash generated from financing activities	149,327	76,702
Net increase in cash and cash equivalents	826,675	203,575
Cash and cash equivalents at 1st January	848,423	580,958
Exchange differences	3,144	2,647
Cash and cash equivalents at 30th June	1,678,242	787,180
Analysis of balances of cash and cash equivalents:		
Time deposits	1,473,012	516,083
Bank balances and cash	205,230	271,097
	1,678,242	787,180

The accompanying notes on pages 8 to 38 are an integral part of these unaudited condensed consolidated interim financial information.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

1 General information

COSCO Pacific Limited (the “Company”) and its subsidiaries (collectively the “Group”) are principally engaged in the businesses of managing and operating terminals, container leasing, management and sale, and their related businesses. The Company is a limited liability company incorporated in Bermuda with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The intermediate holding company of the Company is China COSCO Holdings Company Limited (“China COSCO”), a company established in the People’s Republic of China (the “PRC”) with its H-Shares and A-Shares listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange respectively. The parent company of China COSCO is China Ocean Shipping (Group) Company (“COSCO”), a state-owned enterprise established in the PRC.

The unaudited condensed consolidated interim financial information of the Group for the six months ended 30th June 2013 (the “Unaudited Condensed Consolidated Interim Financial Information”) is presented in United States (“US”) dollar, unless otherwise stated and has been approved for issue by the Board on 27th August 2013.

2 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 Group’s 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:

Notes to the Unaudited Condensed Consolidated Interim Financial Information

2 Basis of preparation and significant accounting policies (Continued)

Adoption of new HKFRSs (Continued)

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 Amendment	Presentation of Financial Statements
HKAS 16 Amendment	Property, Plant and Equipment
HKAS 32 Amendment	Financial Instruments: Disclosures
HKAS 34 Amendment	Interim Financial Reporting
HKFRS 1 Amendment	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 Consolidation Interim Financial Information:

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.

2 Basis of preparation and significant accounting policies (Continued)

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 fair value measurement and new disclosure requirements prospectively in accordance with the standard. The Group has included the required disclosures in the Unaudited Condensed Consolidated Interim Financial Information. 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.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

(a) Useful lives and residual values of containers

Management determines the estimated useful lives of containers by reference to the Group’s business model, its assets management policy and industry practice. The change in these factors can significantly affect the estimation of useful lives of containers and depreciation expenses will change when useful lives are different from the previous estimates.

Management determines the residual values of containers based on all relevant factors (including the use of the current scrap value of steel in an active market as a reference value) at each measurement date. The depreciation expenses will change when the residual values are different from the previous estimates.

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Any adjustment will result in a change in depreciation expenses.

(b) Acquisition of a business

The initial accounting on the acquisition of a business involves identifying and determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquired entities or businesses. The fair values of identifiable net assets are determined by reference to the valuation performed by independent professional valuer. Any changes in the assumptions used and estimates made in determining the fair values will impact the carrying amount of these assets and liabilities.

3 Critical accounting estimates and judgements (Continued)

(c) Impairment of containers and terminal equipment

Containers and terminal equipment represent the Group's major operating assets. The Group tests whether containers and terminal equipment have suffered any impairment in accordance with the accounting policy stated in 2012 Annual Financial Statements.

The recoverable amounts of containers have been determined based on value-in-use calculations. These calculations require the use of estimates on the projections of cash inflows from the continual use of containers (including the amount to be received for the disposal of containers) and discount rate. There would be no significant impact on the carrying amount of the containers if the estimated pre-tax discount rate applied to the value-in-use calculations differ by 5% from management's estimates.

Management determines whether terminal equipment has suffered any impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, according to their recoverable amounts determined by the cash-generating units based on value-in-use calculations. Management considered that there was no indicator for impairment of terminal equipment as at 30th June 2013.

(d) Income taxes

Deferred tax liabilities have not been established for the withholding taxation that would be payable on the undistributed earnings of certain subsidiaries which were under certain jurisdictions as the directors consider that the timing of the reversal of related temporary differences can be controlled (note 17).

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises or writes back liabilities for anticipated tax issues based on estimates of whether additional taxes will be due or reversal to be made. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

(e) Impairment of investments in jointly controlled entities and associates, and trade receivables

Management determines whether investments in jointly controlled entities and associates have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, according to their recoverable amounts determined by the cash-generating units based on value-in-use calculations. The determination of impairment indication requires significant judgement, and the calculations require the use of estimates which are subject to change of economic environment in future.

Management determines the provision for impairment of trade receivables based on the credit history of customers and the current market condition.

4 Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk.

The Unaudited Condensed Consolidated Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2012 Annual Financial Statements.

Compared to 31st December 2012, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

4.2 Fair value estimation

The Group's financial instruments that are measured at fair value are disclosed by levels of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial instruments that are measured at fair value:

	As at 30th June 2013 Level 2 US\$'000	As at 31st December 2012 Level 2 US\$'000
Available-for-sale financial asset	21,000	25,000
Derivatives financial instruments	2,269	8,563
Borrowings under fair value hedge	203,014	211,102

For the six months ended 30th June 2013, there were no transfers of financial instruments of the Group between different levels of the fair value hierarchy.

For the six months ended 30th June 2013, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

For the six months ended 30th June 2013, there were no reclassifications of financial assets and financial liabilities of the Group.

4 Financial risk management (Continued)

4.3 Valuation techniques used to derive Level 2 fair values

The fair value of unlisted available-for-sale financial assets is determined by reference to valuation report of an independent professional valuer which is determined using valuation technique (including price/earnings multiple method and direct market quote). The assumptions that are mainly based on market conditions existing at each balance sheet date. These available-for-sale financial assets are included in level 2.

The fair values of interest rate swap contracts and borrowings are calculated as the present values of the estimated future cash flows based on observable yield curves. These instruments are included in level 2.

The fair value of financial guarantee contracts is determined by reference to the fees charged for similar services or the interest rate differentials charged by lenders on the related borrowings with and without the guarantees granted by the Group.

4.4 Fair value of financial assets and liabilities measured at amortised cost

The carrying amounts and fair values of the long term borrowings are as follows:

	Carrying amounts		Fair values	
	As at 30th June 2013 US\$'000	As at 31st December 2012 US\$'000	As at 30th June 2013 US\$'000	As at 31st December 2012 US\$'000
Bank loans	1,735,035	1,826,655	1,734,423	1,826,527
Notes	295,970	—	295,925	—
	2,031,005	1,826,655	2,030,348	1,826,527

The fair values of the following financial assets and liabilities approximate their carrying amounts:

- Trade and other receivables
- Cash and cash equivalents
- Restricted bank deposits
- Trade and other payables
- Borrowings except for those disclosed above

Notes to the Unaudited Condensed Consolidated Interim Financial Information

5 Segment information

5.1 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 operations, 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

Notes to the Unaudited Condensed Consolidated Interim Financial Information

5 Segment information (Continued)

5.1 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 (revenues) and finance (income)/costs US\$'000	Total US\$'000	Container manufacturing and related businesses US\$'000
Six months ended 30th June 2013							
Revenues – 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 (note 25)	(85,086)	–	(85,086)	–	–	(85,086)	–

Notes to the Unaudited Condensed Consolidated Interim Financial Information

5 Segment information (Continued)

5.1 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 (revenues) and finance (income)/costs US\$'000	Total US\$'000	Container manufacturing and related businesses US\$'000
Six months ended 30th June 2012							
Revenues – 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)	–

Note:

For the six months ended 30th June 2013, the container leasing, management, sale and related businesses segment revenues included US\$77,453,000 (2012: US\$68,438,000) container leasing income from COSCO Container Lines Company Limited (“COSCON”), a fellow subsidiary of the Group.

5 Segment information (Continued)

5.2 Geographical information

(a) 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	142,066	126,842
— Europe	73,330	69,545
— Others	1,652	1,408
Unallocated	178,147	169,560
	395,195	367,355

(b) 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.

5 Segment information (Continued)

5.2 Geographical information (Continued)

(b) Non-current assets (Continued)

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	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

6 Property, plant and equipment

During the six months ended 30th June 2013, the Group acquired property, plant and equipment of US\$278,150,000 (2012: US\$299,834,000). The Group also disposed of property, plant and equipment with net book value of US\$56,961,000 (2012: US\$8,418,000) and transferred property, plant and equipment to inventories with net book value of US\$6,197,000 (2012: US\$5,936,000).

7 Other non-current assets

Other non-current assets of the Group mainly represent prepaid operating lease payments, which included 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.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

8 Trade and other receivables

	As at 30th June 2013 US\$'000	As at 31st December 2012 US\$'000
Trade receivables (note a)		
– third parties	67,827	61,096
– fellow subsidiaries (notes b and c)	31,435	27,261
– a jointly controlled entity (note b)	10	21
– non-controlling shareholders of a subsidiary (note b)	5,851	3,053
– related companies (note b)	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 (note d)	27,258	30,176
Current portion of finance lease receivables	1,903	1,816
Loans to jointly controlled entities (note e)	21,679	22,485
Amounts due from		
– fellow subsidiaries (note b)	610,638	247
– jointly controlled entities (note f)	7,958	2,590
– associates (note f)	617	—
– a non-controlling shareholder of a subsidiary (note b)	89	68
	857,448	221,728

Notes:

- (a) 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

Notes to the Unaudited Condensed Consolidated Interim Financial Information

8 Trade and other receivables (Continued)

- (b) As at 30th June 2013, balance of approximately US\$610,000,000 (31st December 2012: Nil) represented the unsettled balance of the cash consideration for the disposal of the Group's 21.8% equity interest in China International Marine Containers (Group) Co., Ltd. ("CIMC") (note 18). The balance is unsecured, interest free and repayable on or before 27th September 2013 in accordance with the sale and purchase agreement. The remaining balances are unsecured and interest free. Trading balances have credit periods ranging from 30 to 90 days while other remaining balances have no fixed terms of repayment.
- (c) The balance mainly represented container leasing income receivables from fellow subsidiaries and included a receivable balance from COSCON, a fellow subsidiary, of US\$24,928,000 (31st December 2012: US\$23,553,000). During the six months ended 30th June 2013, the container leasing income from COSCON and the other fellow subsidiaries amounted to US\$77,453,000 (2012: US\$68,438,000) and US\$9,000 (2012: US\$3,000) respectively.
- (d) The balance represented the unsettled billings to be collected by the Group in respect of the leases of those containers managed on behalf of third parties.
- (e) As at 30th June 2013, balance of US\$21,026,000 (31st December 2012: US\$21,825,000) is unsecured, interest free, and wholly repayable within twelve months. Balance of US\$653,000 (31st December 2012: US\$660,000) is secured, bears interest at 5% per annum above Europe Interbank Offered Rate and repayable within twelve months.
- (f) The amounts receivable mainly represented dividend and interest receivable from jointly controlled entities and associates.

9 Derivative financial instruments

	As at 30th June 2013 US\$'000	As at 31st December 2012 US\$'000
Interest rate swap contracts — fair value hedges (note)	2,269	8,563

Note:

The notional principal amount of the related interest rate swap contracts amounted to US\$200,000,000 (31st December 2012: US\$200,000,000) which were committed with the interest rates ranging from 1.05% to 1.16% (31st December 2012: 1.05% to 1.16%) per annum above the US dollar London Interbank Offered Rate ("LIBOR"). These interest rate swap contracts have been designated as a hedge of the fair value of the notes issued by the Group which will mature on 3rd October 2013 (note 12).

Notes to the Unaudited Condensed Consolidated Interim Financial Information

10 Cash and cash equivalents

	As at 30th June 2013 US\$'000	As at 31st December 2012 US\$'000
Total time deposits, bank balances and cash (note)	1,678,355	849,330
Restricted bank deposits included in current assets	(113)	(907)
	1,678,242	848,423
Representing:		
Time deposits	1,473,012	648,262
Bank balances and cash	205,230	200,161
	1,678,242	848,423

Note:

As at 30th June 2013, cash and cash equivalents of US\$412,106,000 (31st December 2012: US\$132,461,000) of the Group denominated in Renminbi and US dollar were held by certain subsidiaries of the Group with bank accounts operating in the PRC where exchange controls apply.

11 Share capital

	As at 30th June 2013 US\$'000	As at 31st December 2012 US\$'000
Authorised:		
4,000,000,000 (31st December 2012: 4,000,000,000) ordinary shares of HK\$0.10 each	51,282	51,282
Issued and fully paid:		
2,786,226,002 (31st December 2012: 2,786,052,002) ordinary shares of HK\$0.10 each	35,765	35,762

Notes to the Unaudited Condensed Consolidated Interim Financial Information

11 Share capital (Continued)

Note:

Share options

Movements of the share options, which have been granted under the share option schemes adopted by the Company on 23rd May 2003, during the period are set out below:

Category	Exercise price HK\$	Number of share options					Outstanding as at 30th June 2013
		Outstanding as at 1st January 2013	Exercised during the period	Transfer (to)/from other categories during the period	Lapsed during the period		
Directors	9.54	800,000	—	—	—	800,000	
	13.75	1,000,000	—	—	—	1,000,000	
	19.30	1,000,000	—	(500,000)	—	500,000	
Continuous contract employees	9.54	1,381,000	(174,000)	—	—	1,207,000	
	13.75	10,948,000	—	—	—	10,948,000	
	19.30	12,160,000	—	—	(10,000)	12,150,000	
Others	9.54	50,000	—	—	—	50,000	
	13.75	1,630,000	—	—	(60,000)	1,570,000	
	19.30	300,000	—	500,000	—	800,000	
		29,269,000	(174,000)	—	(70,000)	29,025,000	

12 Borrowings

	As at 30th June 2013 US\$'000	As at 31st December 2012 US\$'000
Long term borrowings		
— secured (note a)	265,558	197,858
— unsecured	2,497,936	2,317,057
	2,763,494	2,514,915
Amounts due within one year included under current liabilities	(732,489)	(688,260)
	2,031,005	1,826,655
Short term bank loans — unsecured	91,455	86,782

Notes to the Unaudited Condensed Consolidated Interim Financial Information

12 Borrowings (Continued)

Notes:

- (a) 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).

Under the circumstances that the terms and conditions as included in the loan agreement were not met, bank balances of US\$17,046,000 (31st December 2012: US\$21,955,000) would be pledged as securities for a banking facility granted to the Group. As at 30th June 2013 and 31st December 2012, there was no violation of the terms and conditions of this loan and thus such bank balances were not pledged.

- (b) The analysis of long term borrowings is as follows:

	As at 30th June 2013 US\$'000	As at 31st December 2012 US\$'000
Wholly repayable within five years		
— Bank loans	1,688,880	1,737,215
— Notes	302,992	311,033
	1,991,872	2,048,248
Not wholly repayable within five years		
— Bank loans	475,652	466,667
— Notes	295,970	—
	771,622	466,667
	2,763,494	2,514,915

- (c) The maturity of long term borrowings is as follows:

	As at 30th June 2013 US\$'000	As at 31st December 2012 US\$'000
Bank loans		
Within one year	429,497	377,227
Between one and two years	421,469	414,914
Between two and five years	888,666	999,057
Over five years	424,900	412,684
	2,164,532	2,203,882
Notes		
Within one year	302,992	311,033
Over five years	295,970	—
	598,962	311,033
	2,763,494	2,514,915

12 Borrowings (Continued)

10-year notes with principal amount of US\$300,000,000 were issued by a subsidiary of the Company to investors on 3rd October 2003. The notes carried a fixed interest yield of 5.96% per annum and were issued at a price of 99.367 per cent of their principal amount with a fixed coupon rate of 5.875% per annum, resulting in a discount on issue of US\$1,899,000. The notes bear interest from 3rd October 2003, payable semi-annually in arrear on 3rd April and 3rd October of each year, commencing on 3rd April 2004. The notes are guaranteed unconditionally and irrevocably by the Company and listed on Singapore Exchange Limited. Unless previously redeemed or repurchased by the Company, the notes will mature on 3rd October 2013 at their principal amount. The notes are subject to redemption in whole, at their principal amount, together with accrued interest, at the option of the Company at any time in the event of certain changes affecting the taxes of certain jurisdictions.

10-year 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 arrear 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. Unless previously redeemed or repurchased by the Company, the notes will mature on 31st January 2023 at their principal amount. The notes are subject to redemption in whole, at their principal amount, together with accrued interest, at the option of the Company at any time in the event of certain changes affecting the taxes of certain jurisdictions.

13 Loans from non-controlling shareholders of subsidiaries

Loans from non-controlling shareholders of subsidiaries are unsecured. As at 30th June 2013, balance of US\$64,739,000 (31st December 2012: US\$63,639,000) bears interest at 6.77% per annum and repayable in October 2014. Balance of US\$8,075,000 (31st December 2012: US\$8,075,000) bears interest at 0.6% above 1-year US dollar LIBOR per annum and repayable in December 2014. Balance of US\$50,000,000 (31st December 2012: US\$50,000,000) is interest free and not repayable within next twelve months. The carrying values of the loans approximate their fair values.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

14 Trade and other payables

	As at 30th June 2013 US\$'000	As at 31st December 2012 US\$'000
Trade payables (note a)		
– third parties	35,425	43,521
– fellow subsidiaries (note b)	138	121
– a jointly controlled entity (note b)	4	–
– non-controlling shareholders of subsidiaries (note b)	3,254	2,527
– subsidiaries of an associate (note b)	–	34
– related companies (notes b and c)	30,857	5
	69,678	46,208
Other payables and accruals	161,289	147,699
Payable to owners of managed containers (note d)	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 (note e)	24,301	23,890
Loan from non-controlling shareholders of subsidiaries (note f)	97,689	96,864
Amounts due to (note b)		
– fellow subsidiaries	92	112
– non-controlling shareholders of subsidiaries	23,832	5,131
– related companies	3	3
	473,386	358,200

Notes:

- (a) 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

- (b) The balances are unsecured and interest free. Trading balances have similar credit periods granted as those of other third party suppliers, the remaining balances have no fixed terms of repayment.
- (c) As at 30th June 2013, the balances represented the amounts payable to related companies of the Group in respect of the purchases of containers (note 24(a)(ix)).

Notes to the Unaudited Condensed Consolidated Interim Financial Information

14 Trade and other payables (Continued)

- (d) The balance represented the rental income of the managed containers collected, net of the direct operating expenses of the managed containers paid by the Group on behalf of third parties and the management fee income entitled by the Group.
- (e) Loan from a jointly controlled entity is unsecured, bears interest at 3.5% per annum and repayable within twelve months.
- (f) Loan from non-controlling shareholders of subsidiaries are unsecured and repayable within twelve months. Balance of US\$49,135,000 (31st December 2012: US\$49,135,000) bears interest at 0.6% above 1-year US dollar LIBOR per annum. Balance of US\$48,554,000 (31st December 2012: US\$47,729,000) bears interest at 5.13% per annum.

15 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 7)	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	—

Notes to the Unaudited Condensed Consolidated Interim Financial Information

16 Finance income and costs

	Six months ended 30th June	
	2013 US\$'000	2012 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 (notes 13 and 14(f))	(3,859)	(2,610)
– loan from a jointly controlled entity (note 14(e))	(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)

Notes to the Unaudited Condensed Consolidated Interim Financial Information

17 Income tax expenses

	Six months ended 30th June	
	2013 US\$'000	2012 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 (2012: US\$6,993,000) and US\$6,829,000 (2012: US\$18,725,000) are included in the Group's shares of profits less losses of jointly controlled entities and associates respectively. The deferred income tax charge mainly represents the withholding income tax in respect of the undistributed earnings for the period of the Group's subsidiaries, jointly controlled entities and associates.

Hong Kong profits tax was provided at a rate of 16.5% on the estimated assessable profit for the period (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, these temporary differences will not be reversed in the foreseeable future.

18 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 Group 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 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.

19 Interim and special interim dividends

	Six months ended 30th June	
	2013 US\$'000	2012 US\$'000
Interim dividend, declared of US2.396 cents (2012: US2.640 cents) per ordinary share	66,758	71,591
Special interim dividend, declared of US5.648 cents (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. These dividends will be payable in cash and with a scrip dividend alternative. These 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.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

20 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

(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

Notes to the Unaudited Condensed Consolidated Interim Financial Information

21 Financial guarantee contracts

	As at 30th June 2013 US\$'000	As at 31st December 2012 US\$'000
Bank guarantees to an associate	21,986	24,428

The directors of the Company consider that it is not probable for a claim to be made against the Group under the above guarantee as at the balance sheet date.

The fair value of the guarantee contracts was not material and has not been recognised.

22 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 Container Terminal S.A. ("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 judgement 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.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

23 Capital commitments

The Group had the following significant capital commitments as at 30th June 2013:

	As at 30th June 2013 US\$'000	As at 31st December 2012 US\$'000
Authorised but not contracted for:		
– Investment (note)	33,248	32,682
– Containers	278,207	318,999
– Computer system under development	1,348	1,029
– Other property, plant and equipment	395,750	256,369
	708,553	609,079
Contracted but not provided for:		
– Investments (note)	662,307	443,042
– Containers	9,435	94,890
– Other property, plant and equipment	302,460	347,815
	974,202	885,747
The Group's share of capital commitments of the jointly controlled entities themselves not included in the above are as follows:		
Authorised but not contracted for	4,873	6,283
Contracted but not provided for	5,213	100
	10,086	6,383

Notes to the Unaudited Condensed Consolidated Interim Financial Information

23 Capital commitments (Continued)

Note:

The capital commitments in respect of investments of the Group as at 30th June 2013 are as follows:

	As at 30th June 2013 US\$'000	As at 31st December 2012 US\$'000
Authorised but not contracted for		
Investment in:		
— Changshu Chang Jiang International Port Co., Ltd.	33,248	32,682
Contracted but not provided for		
Investments in:		
— Qingdao Qianwan Container Terminal Co., Ltd.	64,997	64,997
— Antwerp Gateway NV	58,208	58,758
— Dalian Port Container Terminal Co., Ltd.	47,259	46,456
— Tianjin Port Euroasia International Terminal Co., Ltd.	113,616	111,686
— Taicang International Container Terminal Co., Ltd.	52,294	—
— Qingdao Port Dongjiakou Ore Terminal Co., Ltd.	153,754	—
— Others	102,238	92,392
	592,366	374,289
Terminal projects in:		
— Shanghai Yangshan Port Phase II	64,739	63,639
— Others	5,202	5,114
	69,941	68,753
	662,307	443,042

24 Related party transactions

The Group is controlled by China COSCO which owns 43.20% of the Company's shares as at 30th June 2013. The parent company of China COSCO is COSCO.

COSCO is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with HKAS 24 (Revised) "Related Party Disclosures" issued by the HKICPA, government related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government, are also defined as related parties of the Group. On that basis, related parties include COSCO and its subsidiaries, other government related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and COSCO as well as their close family members.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

24 Related party transactions (Continued)

For the purpose of the related party transaction disclosures, the directors believe that it is meaningful to disclose the related party transactions with COSCO group companies for the interests of financial statements' users, although certain of those transactions which are individually or collectively not significant, and are exempted from disclosure upon adoption of HKAS 24 (Revised). The directors believe that the information of related party transactions has been adequately disclosed in the Unaudited Condensed Consolidated Interim Financial Information.

In addition to those disclosed elsewhere in the Unaudited Condensed Consolidated Interim Financial Information, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the period.

(a) Sales/purchases of goods, services and investments

	Six months ended 30th June	
	2013 US\$'000	2012 US\$'000
Container rental income from fellow subsidiaries (note i, xii)	77,462	68,441
Compensation for loss of containers from a fellow subsidiary (note ii, xii)	292	166
Handling, storage and transportation income from fellow subsidiaries (note iii, xii)	1,324	1,198
Management fee and service fee income from (note iv)		
— jointly controlled entities	2,121	2,009
— associates	77	76
— an investee company	30	67
Terminal handling and storage income from (note v, xii)		
— fellow subsidiaries	20,118	24,354
— a non-controlling shareholder of a subsidiary	21,546	19,431
Container freight charges to subsidiaries of CIMC (note vi)	(303)	(441)
Container handling and logistics services fee to non-controlling shareholders of subsidiaries (note vii, xii)	(8,345)	(5,713)
Electricity and fuel expenses to (note viii, xii)		
— a fellow subsidiary	(992)	(377)
— non-controlling shareholders of subsidiaries	(1,977)	(4,633)
Purchase of containers from subsidiaries of CIMC (note ix)	(69,251)	(57,829)
Handling, storage and maintenance expenses to fellow subsidiaries (note x, xii)	(409)	(698)
Port construction fee and high-frequency communication fee to non-controlling shareholders of subsidiaries (note xi, xii)	(52)	(57)
Proceeds on disposal of an associate to a fellow subsidiary (note 18, xiii)	1,219,789	—

24 Related party transactions (Continued)

(a) Sales/purchases of goods, services and investments (Continued)

Notes:

- (i) The Group has conducted container leasing business with COSCON, other fellow subsidiaries of COSCO and other state-owned enterprises. The container rental income was charged based on terms agreed between the Group and the respective parties in concern.
- (ii) During the period, the Group had compensation received and receivable of US\$292,000 (2012: US\$166,000) from COSCON for the loss of containers under operating leases, resulting in a profit of US\$15,000 (2012: US\$19,000).
- (iii) The handling, storage and transportation income received from fellow subsidiaries of the Group were conducted at terms as set out in the agreements entered into between the Group and these fellow subsidiaries.
- (iv) The Group provided advisory and management services to COSCO-HIT Terminals (Hong Kong) Limited ("COSCO-HIT Terminal"), a jointly controlled entity of the Group, during the period. Management fee was charged and agreed at HK\$20,000,000 (equivalent to US\$2,578,000) (2012: HK\$20,000,000 (equivalent to US\$2,577,000)) per annum.

Other management fee and service fee income charged to jointly controlled entities, associates and an investee company were agreed between the Group and the respective parties in concern.

- (v) The terminal handling and storage income received from fellow subsidiaries and a non-controlling shareholder of a subsidiary in relation to the cargoes shipped from/to Zhangjiagang, Yangzhou, Quanzhou, Jinjiang, Xiamen and Nansha were conducted by the Group by reference to rates as set out by the Ministry of Communications of the PRC.

The container terminal handling and storage income received from fellow subsidiaries in relation to the cargoes shipped from/to Piraeus Terminal were conducted by the Group with rates as mutually agreed.

- (vi) The container freight charges paid to subsidiaries of CIMC for container repositioning services rendered to the Group were charged at rates mutually agreed.
- (vii) The container handling and logistics service fee paid to non-controlling shareholders of subsidiaries was charged at rates as mutually agreed.
- (viii) Electricity and fuel expenses paid to a fellow subsidiary and non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.
- (ix) The purchases of containers from subsidiaries of CIMC, were conducted at terms as set out in the agreements entered into between the Group and the respective parties in concern.
- (x) Handling, storage and maintenance expenses paid to fellow subsidiaries were charged at rates as mutually agreed.
- (xi) Port construction fee and high-frequency communication fee paid to non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.

24 Related party transactions (Continued)

(a) Sales/purchases of goods, services and investments (Continued)

(xii) The transactions represent continuing connected transactions which has complied with the disclosure requirements in accordance with Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (“the Listing Rules”).

(xiii) The transaction represents connected transaction which has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

(b) Balances with state-owned banks

	As at 30th June 2013 US\$'000	As at 31st December 2012 US\$'000
Bank deposits balances		
— in Mainland China	412,106	132,461
— outside Mainland China	1,211,432	597,980
Long term bank loans		
— in Mainland China	776,498	742,493
— outside Mainland China	928,021	951,024
Short term bank loans		
— in Mainland China	27,849	24,257
Committed and undrawn bank borrowings facilities		
— in Mainland China	414,473	547,365
— outside Mainland China	62,721	85,738

The deposits and loans with state-owned banks were in accordance with the terms as set out in the respective agreements or as mutually agreed between the parties in concern.

(c) Balances with other government related entities

	As at 30th June 2013 US\$'000	As at 31st December 2012 US\$'000
Other payables to government port authorities	9,968	9,843

The balance represented the port construction levies collected by subsidiaries of the Group on behalf of the port authorities in Zhangjiagang and Nansha pursuant to a notice issued by the Ministry of Communications of the PRC. The balances are unsecured, interest free and have no fixed terms of repayment.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

24 Related party transactions (Continued)

(d) Key management compensation

	Six months ended 30th June	
	2013 US\$'000	2012 US\$'000
Salaries, bonuses and other allowances	1,894	1,938
Contributions to retirement benefit schemes	6	5
	1,900	1,943

Key management includes directors of the Company and four (2012: five) senior management members of the Group.

25 Business combination

On 29th March 2013, the Group acquired a subsidiary with 70% effective shareholdings with a consideration of US\$33,575,000. Details of net asset acquired are as follows:

	US\$'000
Purchase consideration	33,575
Fair value of net assets acquired shown as below	<u>(33,242)</u>
Goodwill	<u>333</u>

The assets and liabilities of the acquired terminal operations as at the date of acquisition were as follows:

	Fair value US\$'000
Property, plant and equipment	72,460
Land use rights	12,626
Deferred income tax assets	1
Trade and other receivables	783
Current income tax recoverable	16
Cash and cash equivalents	1,781
Long term borrowings	(40,358)
Trade and other payables	(6,330)
Current portion of long term borrowings	<u>(7,737)</u>
Total identifiable net assets acquired	<u>33,242</u>
Purchase consideration settled in cash during the period	(33,575)
Cash and cash equivalents in acquired terminal operation	<u>1,781</u>
Net cash outflow on acquisition	<u>(31,794)</u>

25 Business combination (Continued)

The acquired terminal operation contributed approximately US\$917,000 revenue and contributed a loss of approximately US\$26,000 for the period ended 30th June 2013 since the date of acquisition. If the acquisition had occurred on 1st January 2013, the Group's revenues and profit for the six months ended 30th June 2013 would have been increased by approximately US\$587,000 and decreased by approximately US\$71,000 respectively.

26 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.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF COSCO PACIFIC LIMITED
(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 2 to 38, which comprises the condensed consolidated balance sheet of COSCO Pacific Limited (the “Company”) and its subsidiaries (collectively the “Group”) as at 30th June 2013 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the “Interim Financial Information”). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on Interim Financial Information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors of the Company are responsible for the preparation and presentation of this Interim Financial Information in accordance with HKAS 34. Our responsibility is to express a conclusion on this Interim Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27th August 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 Container Terminal Co., Ltd. (“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 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 Container Terminal Company Limited ("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 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	
	US\$	(%)	US\$	(%)
By repayment term				
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 TEU), representing only a slight growth of 1.6% given the large base of the corresponding period of 2012.

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 (corresponding period of 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 the terminal declined by 27.4% to 480,110 TEU (corresponding period of 2012: 661,731 TEU) during the period. 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 transshipment. 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 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.

SHARE OPTIONS

At a special general meeting of the Company held on 23rd May 2003, the shareholders of the Company approved the adoption of a new share option scheme (the “2003 Share Option Scheme”) and the termination of the share option scheme adopted by the shareholders of the Company on 30th November 1994. The 2003 Share Option Scheme expired on 22nd May 2013. No further options shall thereafter be offered under the 2003 Share Option Scheme but in all other respects the provisions of the 2003 Share Option Scheme shall remain in full force and effect.

Movements of the options, which have been granted under the 2003 Share Option Scheme, during the period are set out below:

Category	Exercise price HK\$	Number of share options					Outstanding at 30th June 2013	% of total issued share capital	Exercisable period	Note
		Outstanding at 1st January 2013	Granted during the period	Exercised during the period	Transfer (to)/from other categories during the period	Lapsed during the period				
Directors										
Dr. WONG Tin Yau, Kelvin	9.54	800,000	–	–	–	–	800,000	0.029%	28.10.2003-27.10.2013	(1), (4)
	13.75	1,000,000	–	–	–	–	1,000,000	0.036%	2.12.2004-1.12.2014	(2), (4)
	19.30	500,000	–	–	–	–	500,000	0.018%	18.4.2007-17.4.2017	(3), (4)
Ex-director										
Mr. YIN Weiyu	19.30	500,000	–	–	(500,000)	–	–	N/A	19.4.2007-18.4.2017	(3), (4), (5)
		2,800,000	–	–	(500,000)	–	2,300,000			
Continuous contract employees										
	9.54	1,381,000	–	(174,000)	–	–	1,207,000	0.043%	(refer to note 1)	(1)
	13.75	10,948,000	–	–	–	–	10,948,000	0.393%	(refer to note 2)	(2)
	19.30	12,160,000	–	–	–	(10,000)	12,150,000	0.436%	(refer to note 3)	(3)
Others										
	9.54	50,000	–	–	–	–	50,000	0.002%	(refer to note 1)	(1)
	13.75	1,630,000	–	–	–	(60,000)	1,570,000	0.056%	(refer to note 2)	(2)
	19.30	300,000	–	–	500,000	–	800,000	0.029%	(refer to note 3)	(3), (5)
		26,469,000	–	(174,000)	500,000	(70,000)	26,725,000			
		29,269,000	–	(174,000)	–	(70,000)	29,025,000			

Notes:

- (1) The share options were granted during the period from 28th October 2003 to 6th November 2003 under the 2003 Share Option Scheme at an exercise price of HK\$9.54. The options are exercisable at any time within ten years from the commencement date which is the date on which an offer is accepted or deemed to be accepted by the grantee pursuant to the 2003 Share Option Scheme (the "Commencement Date"). The Commencement Date of the options was from 28th October 2003 to 6th November 2003.
- (2) The share options were granted during the period from 25th November 2004 to 16th December 2004 under the 2003 Share Option Scheme at an exercise price of HK\$13.75. The options are exercisable at any time within ten years from the Commencement Date. The Commencement Date of the options was from 25th November 2004 to 16th December 2004.
- (3) The share options were granted during the period from 17th April 2007 to 19th April 2007 under the 2003 Share Option Scheme at an exercise price of HK\$19.30. The options are exercisable at any time within ten years from the Commencement Date. The Commencement Date of the options was from 17th April 2007 to 19th April 2007.
- (4) These options represent personal interest held by the relevant directors as beneficial owners.
- (5) Mr. YIN Weiyu resigned as an executive director of the Company on 8th April 2013. In this respect, the options granted to Mr. YIN Weiyu were re-classified from the category of "directors" to the category of "others".
- (6) During the period, no share options were granted or cancelled under the 2003 Share Option Scheme.

DIRECTOR'S INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th June 2013, the interest of the Company's directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(a) Long positions in shares of the Company

Name of director	Capacity	Nature of interest	Number of ordinary shares held	% of total issued share capital of the Company
Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	519,609	0.019%
Mr. Timothy George FRESHWATER	Beneficial owner	Personal	30,000	0.001%

(b) Long positions in underlying shares of equity derivatives of the Company

Share options were granted by the Company to certain directors of the Company pursuant to the 2003 Share Option Scheme. Details of the directors' interest in share options granted by the Company are set out under the previous section headed "Share Options" of this report.

(c) Long positions in shares of associated corporations

Name of associated corporation	Name of director	Capacity	Nature of interest	Number of H shares held	% of total issued H share capital of the relevant associated corporation
China COSCO Holdings Company Limited	Mr. WAN Min	Beneficial owner	Personal	2,000	0.0001%
	Dr. FAN HSU Lai Tai, Rita	Beneficial owner	Personal	10,000	0.0004%

Name of associated corporation	Name of director	Capacity	Nature of interest	Number of A shares held	% of total issued A share capital of the relevant associated corporation
China COSCO Holdings Company Limited	Mr. LI Yunpeng	Interest of spouse	Family	3,000	0.00004%
	Mr. WAN Min	Beneficial owner	Personal	35,000	0.0005%
	Mr. QIU Jinguang	Beneficial owner	Personal	6,400	0.00008%

Name of associated corporation	Name of director	Capacity	Nature of interest	Number of shares held	% of total issued share capital of the relevant associated corporation
COSCO International Holdings Limited	Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	203,529	0.013%

(d) Long positions in underlying shares of equity derivatives of associated corporations

- (i) Movements of the share options granted to the directors of the Company by associated corporations during the period are set out below:

Name of associated corporation	Name of director	Capacity	Nature of interest	Exercise price HK\$	Number of share options					Outstanding at 30th June 2013	% of total issued share capital of the relevant associated corporation	Note
					Outstanding at 1st January 2013	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period			
COSCO International Holdings Limited	Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	1.37	500,000	–	–	–	–	500,000	0.033%	(1)
	Ex-director Mr. HE Jiale	Beneficial owner	Personal	1.37	1,200,000	–	–	–	(1,200,000)	N/A	N/A	(1), (2)

Notes:

- (1) The share options were granted by COSCO International Holdings Limited ("COSCO International"), an associated corporation of the Company listed on the Stock Exchange, on 2nd December 2004 pursuant to the share option scheme of COSCO International adopted on 17th May 2002 and amended by the shareholders of COSCO International at the special general meeting held on 5th May 2005. The share options are exercisable at an exercise price of HK\$1.37 per share at any time between 29th December 2004 and 28th December 2014.
- (2) Mr. HE Jiale resigned as an executive director of the Company on 21st March 2013.

- (ii) Movements of the share appreciation rights granted to the directors of the Company by an associated corporation during the period are set out below:

Name of associated corporation	Name of director	Capacity	Nature of interest	Exercise price HK\$	Number of units of share appreciation rights			Outstanding at 30th June 2013	% of total issued H share capital of the relevant associated corporation	Note
					Outstanding at 1st January 2013	Granted during the period	Exercised during the period			
China COSCO Holdings Company Limited	Mr. LI Yunpeng	Beneficial owner	Personal	3.195	450,000	—	—	450,000	0.017%	(1)
				3.588	600,000	—	—	600,000	0.023%	(2)
				9.540	580,000	—	—	580,000	0.022%	(3)
	Mr. WAN Min	Beneficial owner	Personal	3.195	75,000	—	—	75,000	0.003%	(1)
				3.588	280,000	—	—	280,000	0.011%	(2)
				9.540	260,000	—	—	260,000	0.010%	(3)
	Mr. FENG Jinhua	Beneficial owner	Personal	3.195	100,000	—	—	100,000	0.004%	(1)
				3.588	90,000	—	—	90,000	0.003%	(2)
				9.540	85,000	—	—	85,000	0.003%	(3)
	Mr. FENG Bo	Beneficial owner	Personal	3.195	75,000	—	—	75,000	0.003%	(1)
				3.588	90,000	—	—	90,000	0.003%	(2)
				9.540	85,000	—	—	85,000	0.003%	(3)
	Mr. WANG Haimin	Beneficial owner	Personal	3.195	57,000	—	—	57,000	0.002%	(1)
				3.588	90,000	—	—	90,000	0.003%	(2)
				9.540	75,000	—	—	75,000	0.003%	(3)
	Mr. WANG Wei	Beneficial owner	Personal	3.195	75,000	—	—	75,000	0.003%	(1)
				3.588	65,000	—	—	65,000	0.003%	(2)
				9.540	60,000	—	—	60,000	0.002%	(3)
	Ex-directors									
	Mr. HE Jiale	Beneficial owner	Personal	3.195	375,000	—	—	N/A	N/A	(1), (4)
				3.588	500,000	—	—	N/A	N/A	(2), (4)
				9.540	480,000	—	—	N/A	N/A	(3), (4)
	Mr. YIN Weiyu	Beneficial owner	Personal	3.195	100,000	—	—	N/A	N/A	(1), (5)
				3.588	65,000	—	—	N/A	N/A	(2), (5)

Notes:

- (1) The share appreciation rights were granted by China COSCO Holdings Company Limited (“China COSCO”), an associated corporation of the Company and a company listed on the Stock Exchange and the Shanghai Stock Exchange, in units with each unit representing one H share of China COSCO, on 16th December 2005 pursuant to the share appreciation rights plan adopted by China COSCO (the “Plan”). Under the Plan, no shares of China COSCO will be issued. The share appreciation rights are exercisable at HK\$3.195 per unit at any time between 16th December 2007 and 15th December 2015.
- (2) The share appreciation rights were granted by China COSCO in units with each unit representing one H share of China COSCO on 5th October 2006 pursuant to the Plan. Under the Plan, no shares of China COSCO will be issued. The share appreciation rights are exercisable at HK\$3.588 per unit at any time between 5th October 2008 and 4th October 2016.
- (3) The share appreciation rights were granted by China COSCO in units with each unit representing one H share of China COSCO on 4th June 2007 pursuant to the Plan. Under the Plan, no shares of China COSCO will be issued. The share appreciation rights are exercisable at HK\$9.540 per unit at any time between 4th June 2009 and 3rd June 2017.
- (4) Mr. HE Jiale resigned as an executive director of the Company on 21st March 2013.
- (5) Mr. YIN Weiyu resigned as an executive director of the Company on 8th April 2013.
- (6) During the period, no share appreciation rights mentioned above were lapsed or cancelled.

Save as disclosed above, as at 30th June 2013, none of the directors or chief executive of the Company had any interest or short positions in any shares or underlying shares or interest in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL INTEREST IN THE SHARE CAPITAL OF THE COMPANY

So far as is known to any directors or chief executive of the Company, as at 30th June 2013, the interest of shareholders in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

Name	Capacity	Nature of interests	Number of ordinary shares/ % of total issued share capital					
			Long positions	%	Short positions	%	Lending pool	%
COSCO Investments Limited	Beneficial owner	Beneficial interest	210,538,143	7.56	—	—	—	—
COSCO Pacific Investment Holdings Limited	Beneficial owner and interest of controlled corporation	Beneficial interest and corporate interest	1,203,731,136	43.20	—	—	—	—
China COSCO Holdings Company Limited	Interest of controlled corporation	Corporate interest	1,203,731,136	43.20	—	—	—	—
China Ocean Shipping (Group) Company	Interest of controlled corporation	Corporate interest	1,203,731,136	43.20	—	—	—	—

Notes:

The 1,203,731,136 shares relate to the same batch of shares of the Company. COSCO Investments Limited (“COSCO Investments”) is a wholly owned subsidiary of COSCO Pacific Investment Holdings Limited (“COSCO Pacific Investment”). Accordingly, the 210,538,143 shares of the Company held by COSCO Investments are also included as part of COSCO Pacific Investment’s interest in the Company. COSCO Pacific Investment is a wholly owned subsidiary of China COSCO and it itself held 993,192,993 shares of the Company beneficially. Accordingly, COSCO Pacific Investment’s interest in relation to the 1,203,731,136 shares of the Company are also recorded as China COSCO’s interest in the Company. China Ocean Shipping (Group) Company (“COSCO”) held 52.80% interest of the issued share capital of China COSCO as at 30th June 2013, and accordingly, COSCO is deemed to have the interest of 1,203,731,136 shares of the Company held by COSCO Pacific Investment.

Save as disclosed above, as at 30th June 2013, the Company has not been notified of any other interest or short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Changes in directors' biographical details since the date of the 2012 annual report of the Company and up to the date of this report, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Name of director	Details of changes
Mr. LI Yunpeng	<ul style="list-style-type: none"> • Appointed as a director and the president of China Ocean Shipping (Group) Company with effect from 1st July 2013 • Appointed as the vice chairman and re-designated as an executive director of China COSCO Holdings Company Limited, a company listed on The Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange, with effect from 16th July 2013
Dr. WANG Xingru	<ul style="list-style-type: none"> • Resigned as a non-executive director of China International Marine Containers (Group) Co., Ltd., a company listed on The Stock Exchange of Hong Kong Limited and Shenzhen Stock Exchange, with effect from 19th July 2013
Dr. WONG Tin Yau, Kelvin	<ul style="list-style-type: none"> • Ceased to act as the chairman of the Nomination Committee of I.T Limited, a company listed on The Stock Exchange of Hong Kong Limited, with effect from 3rd May 2013 • Resigned as an independent non-executive director and the chairman of the Audit Committee of China Metal International Holdings Inc., a company listed on The Stock Exchange of Hong Kong Limited, with effect from 12th July 2013 • Ceased to act a member of the Securities and Futures Commission (HKEC Listing) Committee • Retired as a member of the Main Board and GEM Listing Committee of The Stock Exchange of Hong Kong Limited • Appointed as a Justice of the Peace by The Government of the Hong Kong Special Administrative Region • Appointed as a convenor-cum-member of the Financial Reporting Review Panel
Mr. Adrian David LI Man Kiu	<ul style="list-style-type: none"> • Appointed as a member of the International Advisory Board of Abertis Infraestructuras, S.A., a company listed in Spain, with effect from 23rd April 2013 • Appointed as the chairman of the Audit Committee of the Company with effect from 23rd May 2013
Mr. IP Sing Chi	<ul style="list-style-type: none"> • Appointed as a member of the Nomination Committee and Remuneration Committee of the Company with effect from 23rd May 2013 • Resigned as the chairman of the Shipping & Port Operations Group of the Employers' Federation of Hong Kong

Subsequent to the date of this report and prior to the print, the Company was notified of the following change in biographical details by a director:

Name of director	Details of change
Mr. Adrian David LI Man Kiu	<ul style="list-style-type: none"> Appointed as a non-executive director of The Berkeley Group Holdings plc, a company listed on the London Stock Exchange, with effect from 2nd September 2013

Save as disclosed above, there is no other change in the directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DISCLOSURE UNDER RULE 13.22 OF CHAPTER 13 OF THE LISTING RULES

In relation to the financial assistance granted by the Group to certain affiliated companies, a proforma combined balance sheet of the affiliated companies as at 30th June 2013 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

	US\$'000
Non-current assets	5,567,803
Current assets	1,260,992
Current liabilities	(2,316,748)
Non-current liabilities	(1,073,133)
Net assets	<u>3,438,914</u>
Share capital	119,601
Reserves	1,951,983
Non-controlling interest	1,367,330
Capital and reserves	<u>3,438,914</u>

As at 30th June 2013, the Group's attributable interests in these affiliated companies amounted to US\$666,042,000.

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 set out in Appendix 14 of the Listing Rules throughout the six months ended 30th June 2013.

As announced by the Company on 23rd May 2013, Mr. CHOW Kwong Fai, Edward, an independent non-executive director of the Company, retired from office after the conclusion of the annual general meeting of the Company held on 23rd May 2013. Following the retirement of Mr. CHOW, the Board comprises 14 members including 6 executive directors, 4 non-executive directors and 4 independent non-executive directors. The number of independent non-executive directors fell below one-third of the Board required under Rule 3.10A of the Listing Rules.

As such, the Company had been actively identifying suitable candidates for appointment as an independent non-executive director of the Company in order to meet the requirement under Rule 3.10A of the Listing Rules. On 22nd August 2013, Mr. FAN Ergang was appointed as an independent non-executive director of the Company, within the three-month grace period allowed under Rule 3.11 of the Listing Rules. Accordingly, the Company has complied with the requirement under Rule 3.10A of the Listing Rules since 22nd August 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 2013 interim report.

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 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., Qian 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 report, the board of directors of the Company comprises Mr. LI Yunpeng² (Chairman), Dr. WANG Xingru¹ (Vice Chairman and Managing Director), Mr. WAN Min², Mr. FENG Jinhua¹, Mr. FENG Bo¹, Mr. WANG Haimin², Mr. WANG Wei², Mr. TANG Runjiang¹, Dr. WONG Tin Yau, Kelvin¹, Mr. QIU Jinguang¹, Mr. Timothy George FRESHWATER³, Dr. FAN HSU Lai Tai, Rita³, Mr. Adrian David LI Man Kiu³, Mr. IP Sing Chi³ and Mr. FAN Ergang³.

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

COSCO Pacific Limited

中遠太平洋有限公司

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

49th Floor, COSCO Tower
183 Queen's Road Central, Hong Kong

Telephone : +852 2809 8188
Facsimile : +852 2907 6088
Email : info@coscopac.com.hk
Website : www.coscopac.com.hk

香港皇后大道中183號
中遠大廈49樓

電話 : +852 2809 8188
傳真 : +852 2907 6088
電子郵件 : info@coscopac.com.hk
網址 : www.coscopac.com.hk

Stock Code 股份代號 : 1199