COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

2013 FINAL RESULTS ANNOUNCEMENT

RESULTS HIGHLIGHTS

- The Group's revenue rose by 8.6% to US$798,626,000 (2012: US$735,500,000). Revenue from the terminals business rose by 13.2% to US$455,071,000 (2012: US$402,161,000), the increase being mainly attributable to Piraeus Container Terminal S.A. ("Piraeus Terminal"), Guangzhou South China Oceangate Container Terminal Company Limited ("Guangzhou South China Oceangate Terminal") and Xiamen Ocean Gate Container Terminal Co., Ltd. ("Xiamen Ocean Gate Terminal"). Revenue from the container leasing, management and sale businesses rose by 3.4% to US$347,747,000 (2012: US$336,224,000), mainly due to an increase in the number of containers on hire.

- Gross profit rose by 0.9% to US$318,169,000 (2012: US$315,282,000). Gross profit from the container leasing, management and sale businesses decreased, mainly due to a decline in container prices and the overall average utilisation rate of the Group's containers resulting from weaker demand for container leasing service. In addition, although gross profit from the terminals business grew, the growth rate was undermined by higher initial operating costs arising from Xiamen Ocean Gate Terminal. The Group's gross profit margin dropped by 3.1 percentage points to 39.8% (2012: 42.9%).

- Excluding the discontinued operation [Note], profit attributable to equity holders of the Company increased by 2.1% to US$286,206,000 (2012: US$280,299,000). Including the discontinued operation, profit attributable to equity holders of the Company increased by 105.3% to US$702,676,000 (2012: US$342,194,000).

- Equity throughput of the terminals business increased by 10.0% to 17,196,297 TEU (2012: 15,638,070 TEU). However, the profit decreased slightly by 1.2% to US$186,767,000 (2012: US$188,964,000) as a result of upward pressure on costs. Total throughput increased by 10.1% to 61,284,891 TEU (2012: 55,685,225 TEU).

- Profit from the container leasing, management and sale businesses dropped by 10.2% to US$125,259,000 (2012: US$139,522,000). The container fleet size increased by 1.8% to 1,888,200 TEU (2012: 1,855,597 TEU), with an overall average utilisation rate of 94.5% (2012: 95.3%).

- The proposed final dividend is HK15.0 cents per share (2012: HK18.3 cents), and the dividend will be payable in cash and with a scrip dividend alternative. The full-year dividend was HK77.4 cents (2012: HK38.8 cents) representing a payout ratio of 40.0% (2012: 40.0%).

Note: On 20 May 2013, the Group announced the disposal of its 21.8% equity interest in China International Marine Containers (Group) Co., Ltd. ("CIMC") for a cash consideration of US$1,219,789,000, which was completed on 27 June 2013, resulting in a net gain of US$393,411,000. Cash consideration of US$610,000,000 was received on 27 June 2013 and the remaining balance was received in full on 26 September 2013. Since the disposal of its equity interest in CIMC was completed in June 2013, the Group's share of profit from CIMC only included the profit for the period from January to May of 2013 of US$23,059,000 (January to December of 2012: US$61,895,000).

FINAL RESULTS

The board of directors (the "Board") of COSCO Pacific Limited (the "Company" or "COSCO Pacific") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013. The following financial information, including comparative figures, has been prepared in accordance with Hong Kong Financial Reporting Standards.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2013

	Note	**2013**	2012
		US$'000	*US$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**4,167,794**	3,717,804
Investment properties		**5,356**	4,899
Land use rights		**244,175**	219,631
Intangible assets		**9,677**	9,995
Jointly controlled entities		**635,554**	599,510
Loan to a jointly controlled entity		**4,129**	5,276
Associates		**824,598**	1,570,615
Loan to an associate		**33,543**	30,702
Available-for-sale financial asset		**27,000**	25,000
Finance lease receivables		**11,944**	13,542
Deferred income tax assets		**1,236**	676
Other non-current assets	3	**105,269**	73,841
		6,070,275	6,271,491
Current assets			
Inventories		**18,985**	12,746
Trade and other receivables	4	**224,493**	221,728
Derivative financial instruments		**-**	8,563
Restricted bank deposits		**148**	907
Cash and cash equivalents		**1,237,403**	848,423
		1,481,029	1,092,367
Total assets		**7,551,304**	7,363,858

CONSOLIDATED BALANCE SHEET (Continued)
AS AT 31 DECEMBER 2013

	Note	**2013** *US$'000*	2012 *US$'000*
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**37,391**	35,762
Reserves		**4,452,332**	3,852,396
Proposed final dividend		**56,383**	65,862
		4,546,106	3,954,020
Non-controlling interests		**297,388**	263,373
Total equity		**4,843,494**	4,217,393
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**34,622**	50,678
Long term borrowings	5	**1,770,425**	1,826,655
Loans from non-controlling shareholders of subsidiaries		**50,000**	121,714
Other long term liabilities		**22,530**	6,749
		1,877,577	2,005,796
Current liabilities			
Trade and other payables	6	**464,739**	358,200
Current income tax liabilities		**89,709**	7,427
Current portion of long term borrowings		**259,383**	688,260
Short term bank loans		**16,402**	86,782
		830,233	1,140,669
Total liabilities		**2,707,810**	3,146,465
Total equity and liabilities		**7,551,304**	7,363,858
Net current assets/(liabilities)		**650,796**	(48,302)
Total assets less current liabilities		**6,721,071**	6,223,189

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	**2013** *US$'000*	2012 *US$'000*
Continuing operations:			
Revenues	2	**798,626**	735,500
Cost of sales		**(480,457)**	(420,218)
Gross profit		**318,169**	315,282
Administrative expenses		**(90,058)**	(91,919)
Other operating income	7	**31,664**	15,237
Other operating expenses		**(12,956)**	(11,212)
Operating profit	8	**246,819**	227,388
Finance income	9	**18,112**	9,211
Finance costs	9	**(84,539)**	(77,263)
Operating profit after finance income and costs		**180,392**	159,336
Share of profits less losses of			
- jointly controlled entities		**81,406**	96,461
- associates		**72,504**	64,682
Profit before income tax from continuing operations		**334,302**	320,479
Income tax expenses	10	**(33,497)**	(27,905)
Profit for the year from continuing operations		**300,805**	292,574
Discontinued operation:			
Net gain on disposal of an associate	11	**393,411**	-
Share of profit of an associate		**23,059**	61,895
Profit for the year from discontinued operation		**416,470**	61,895
Profit for the year		**717,275**	354,469
Profit attributable to:			
Equity holders of the Company		**702,676**	342,194
Non-controlling interests		**14,599**	12,275
		717,275	354,469
Earnings per share for profit attributable to equity holders of the Company			
Basic			
- from continuing operations	12	**US10.16 cents**	US10.25 cents
- from discontinued operation	12	**US14.79 cents**	US2.26 cents
		US24.95 cents	US12.51 cents
Diluted			
- from continuing operations	12	**US10.16 cents**	US10.25 cents
- from discontinued operation	12	**US14.79 cents**	US2.26 cents
		US24.95 cents	US12.51 cents
Dividends	13	**282,253**	138,474

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013	2012
	US$'000	*US$'000*
Profit for the year	**717,275**	354,469
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	**70,485**	13,062
Fair value gain on an available-for-sale financial asset	**2,000**	8,000
Release of reserves upon disposal of an associate	**(65,428)**	-
Share of reserves of jointly controlled entities and associates		
- investment revaluation reserve	**1,331**	983
- exchange reserve	**1,149**	(4,464)
- other reserves	**(1,019)**	9,692
Other comprehensive income for the year, net of tax	**8,518**	27,273
Total comprehensive income for the year	**725,793**	381,742
Total comprehensive income attributable to:		
Equity holders of the Company	**699,923**	368,768
Non-controlling interests	**25,870**	12,974
	725,793	381,742
Total comprehensive income attributable to equity holders of the Company arising from:		
Continuing operations	**338,986**	299,240
Discontinued operation	**360,937**	69,528
	699,923	368,768

NOTES

1. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated financial statements have been prepared under the historical cost convention except that, available-for-sale financial assets, derivative financial instruments and investment properties are carried at fair value and certain buildings are carried at valuation as at 31 December 1994 less accumulated depreciation and impairment losses.

(a) Adoption of new HKFRSs

In 2013, the Group has adopted the following new and revised HKFRS standards, interpretation, amendments or improvements to existing standards (collectively the "new HKFRSs") issued by the HKICPA which are mandatory for the financial year ended 31 December 2013:

New standards, interpretation and amendments

HKAS 1 Amendment	Presentation of Financial Statements
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investment in Associates and Joint Ventures
HKFRS 1 Amendment	Government Loans
HKFRS 7 Amendment	Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKFRS 10, HKFRS 11 and HKFRS 12 Amendment	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
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

Annual Improvements 2010-2012 Cycle

HKFRS 13 Amendment	Fair Value Measurements

Annual Improvements 2011-2013 Cycle

HKFRS 1 Amendment	First-time Adoption of Hong Kong Financial Reporting Standards

Except for the adoption of HKAS 1 Amendment, HKFRS 12 and HKFRS 13 which affected the Group's presentation and required additional disclosures, the Group has assessed the impact of the adoption of these new HKFRSs and considered that there was no significant impact on the Group's results and financial position.

1. BASIS OF PREPARATION (Continued)

(b) Standards, interpretation, amendments or improvements to existing standards that are not yet effective for the year ended 31 December 2013 and have not been early adopted by the Group

The HKICPA has issued the following new HKFRS standards, interpretation, amendments or improvements to existing standards which are not yet effective for the year ended 31 December 2013 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
New standards, interpretation and amendments		
HKAS 19 Amendment	Employee Benefits	1 July 2014
HKAS 32 Amendment	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKAS 36 Amendment	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
HKAS 39 Amendment	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
HKFRS 9	Financial Instruments	To be determined
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendment	Investment Entities	1 January 2014
HK(IFRIC)-Int 21	Levies	1 January 2014
Annual Improvements 2010-2012 Cycle		
HKAS 16 Amendment	Property, Plant and Equipment	1 July 2014
HKAS 24 Amendment	Related Party Disclosures	1 July 2014
HKAS 38 Amendment	Intangible Assets	1 July 2014
HKFRS 2 Amendment	Share-based Payment	1 July 2014
HKFRS 3 Amendment	Business Combinations	1 July 2014
HKFRS 8 Amendment	Operating Segments	1 July 2014
HKFRS 13 Amendment	Fair Value Measurement	1 July 2014
Annual Improvements 2011-2013 Cycle		
HKAS 40 Amendment	Investment Property	1 July 2014
HKFRS 1 Amendment	First-time Adoption of Hong Kong Financial Reporting Standards	1 July 2014
HKFRS 3 Amendment	Business Combinations	1 July 2014
HKFRS 13 Amendment	Fair Value Measurement	1 July 2014

The Group will apply the above standards, interpretation, amendments or improvements to existing standards as and when they become effective. The Group has already commenced an assessment of the impact of these new standards, interpretation, amendments or improvements to existing standards. Except for certain changes in presentation and disclosures of consolidated financial information, it is anticipated that the adoption of these new standards, interpretation, amendments or improvements to existing standards are not expected to have any significant impact on the consolidated financial statements or result in any significant changes in the Group's significant accounting policies.

2. SEGMENT INFORMATION

(a) Operating segments

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

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

The performance of the operating segments was assessed based on their segment profit/loss attributable to equity holders of the Company and segment assets, which is measured in a manner consistent with that in the consolidated financial statements.

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

	Terminals and related businesses *US$'000*	Container leasing, management, sale and related businesses *US$'000*	Container manufacturing and related businesses (Note) *US$'000*	Segment total *US$'000*	Corporate *US$'000*	Inter-segment elimination *US$'000*	Total *US$'000*
At 31 December 2013							
Segment assets	**4,399,661**	**2,134,325**	**-**	**6,533,986**	**2,031,613**	**(1,014,295)**	**7,551,304**
Segment assets include:							
Jointly controlled entities	**635,554**	**-**	**-**	**635,554**	**-**	**-**	**635,554**
Associates	**824,598**	**-**	**-**	**824,598**	**-**	**-**	**824,598**
Available-for-sale financial asset	**27,000**	**-**	**-**	**27,000**	**-**	**-**	**27,000**
At 31 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

Note:

The container manufacturing and related businesses segment was classified as discontinued operation in 2013 (Note 11).

2. SEGMENT INFORMATION (Continued)

(a) Operating segments (Continued)

Segment revenues, results and other information

	Continuing operations						Discontinued operation
	Terminals 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*
Year ended 31 December 2013							
Revenues - total sales	**455,071**	**347,747**	**802,818**	**-**	**(4,192)**	**798,626**	**-**
Segment profit/(loss) attributable to equity holders of the Company	**186,767**	**125,259**	**312,026**	**(25,820)**	**-**	**286,206**	**416,470**
Segment profit/(loss) attributable to equity holders of the Company includes:							
Finance income	**934**	**452**	**1,386**	**33,094**	**(16,368)**	**18,112**	**-**
Finance costs	**(60,305)**	**(22,150)**	**(82,455)**	**(22,429)**	**20,345**	**(84,539)**	**-**
Share of profits less losses of							
- jointly controlled entities	**81,406**	**-**	**81,406**	**-**	**-**	**81,406**	**-**
- associates	**72,504**	**-**	**72,504**	**-**	**-**	**72,504**	**23,059**
Net gain on disposal of an associate	**-**	**-**	**-**	**-**	**-**	**-**	**393,411**
Income tax expenses	**(13,249)**	**(3,128)**	**(16,377)**	**(17,120)**	**-**	**(33,497)**	**-**
Depreciation and amortisation	**(74,989)**	**(113,112)**	**(188,101)**	**(2,363)**	**-**	**(190,464)**	**-**
Provision for inventories	**-**	**(1,792)**	**(1,792)**	**-**	**-**	**(1,792)**	**-**
Other non-cash expenses	**(568)**	**(3,198)**	**(3,766)**	**-**	**-**	**(3,766)**	**-**
Additions to non-current assets	**(285,405)**	**(289,677)**	**(575,082)**	**(190)**	**-**	**(575,272)**	**-**
Additions arising from business combination	**(85,086)**	**-**	**(85,086)**	**-**	**-**	**(85,086)**	**-**

2. SEGMENT INFORMATION (Continued)

(a) Operating segments (Continued)

Segment revenues, results and other information (Continued)

	Continuing operations						Discontinued operation
	Terminals 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*
Year ended 31 December 2012							
Revenues - total sales	402,161	336,224	738,385	-	(2,885)	735,500	-
Segment profit/(loss) attributable to equity holders of the Company	188,964	139,522	328,486	(48,187)	-	280,299	61,895
Segment profit/(loss) attributable to equity holders of the Company includes:							
Finance income	952	895	1,847	11,522	(4,158)	9,211	-
Finance costs	(56,449)	(14,717)	(71,166)	(13,479)	7,382	(77,263)	-
Share of profits less losses of							
- jointly controlled entities	96,461	-	96,461	-	-	96,461	-
- associates	64,682	-	64,682	-	-	64,682	61,895
Income tax expenses	(9,073)	(2,547)	(11,620)	(16,285)	-	(27,905)	-
Depreciation and amortisation	(60,601)	(105,080)	(165,681)	(2,195)	-	(167,876)	-
Impairment loss of property, plant and equipment	-	(375)	(375)	-	-	(375)	-
Other non-cash expenses	(73)	(1,311)	(1,384)	(1)	-	(1,385)	-
Additions to non-current assets	(359,469)	(372,812)	(732,281)	(1,282)	-	(733,563)	-

2. SEGMENT INFORMATION (Continued)

(b) Geographical information

(i) Revenues

In respect of terminals 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.

	2013	2012
	US$'000	*US$'000*
Terminals and related businesses		
- Mainland China (excluding Hong Kong)	**296,634**	263,718
- Europe	**155,429**	134,773
- Others	**2,939**	3,656
Unallocated	**343,624**	333,353
	798,626	735,500

2. SEGMENT INFORMATION (Continued)

(b) Geographical information (Continued)

(ii) Non-current assets

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

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

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

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

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

	2013	2012
	US$'000	*US$'000*
Mainland China (excluding Hong Kong)	**3,538,058**	3,993,046
Europe	**427,235**	286,259
Others	**256,064**	245,779
Unallocated	**1,771,066**	1,671,211
	5,992,423	6,196,295

3. 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 1 October 2009.

4. TRADE AND OTHER RECEIVABLES

	2013	2012
	US$'000	*US$'000*
Trade receivables		
- third parties	**59,138**	61,096
- fellow subsidiaries	**28,107**	27,261
- a jointly controlled entity	**-**	21
- non-controlling shareholders of a subsidiary	**4,561**	3,053
- related companies	**468**	343
	92,274	91,774
Less: provision for impairment	**(3,946)**	(2,508)
	88,328	89,266
Other receivables, deposits and prepayments	**53,936**	75,080
Rent receivable collected on behalf of owners of managed containers	**22,685**	30,176
Current portion of finance lease receivables	**1,983**	1,816
Loans to jointly controlled entities	**22,485**	22,485
Amounts due from		
- fellow subsidiaries	**525**	247
- jointly controlled entities	**28,186**	2,590
- associates	**4,430**	-
- a non-controlling shareholder of a subsidiary	**1,935**	68
	224,493	221,728

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

	2013	2012
	US$'000	*US$'000*
Within 30 days	**50,333**	47,014
31 - 60 days	**31,037**	29,568
61 - 90 days	**5,408**	9,856
Over 90 days	**1,550**	2,828
	88,328	89,266

5. LONG TERM BORROWINGS

10-year notes with principal amount of US$300,000,000 were issued by a subsidiary of the Company to investors on 31 January 2013 (the "2013 Notes"). The 2013 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 2013 Notes bear interest from 31 January 2013, payable semi-annually in arrears on 31 January and 31 July of each year, commencing on 31 July 2013. The 2013 Notes are guaranteed unconditionally and irrevocably by the Company and listed on The Stock Exchange of Hong Kong Limited. Unless previously redeemed or repurchased by the Company, the 2013 Notes will mature on 31 January 2023 at their principal amount. The 2013 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.

6. TRADE AND OTHER PAYABLES

	2013	2012
	US$'000	*US$'000*
Trade payables		
- third parties	**51,561**	43,521
- fellow subsidiaries	**213**	121
- non-controlling shareholders of subsidiaries	**5,595**	2,527
- subsidiaries of an associate	**-**	34
- related companies	**23,614**	5
	80,983	46,208
Other payables and accruals	**159,648**	147,699
Payable to owners of managed containers	**26,241**	37,236
Current portion of other long term liabilities	**934**	1,019
Dividend payable	**39**	38
Loan from a jointly controlled entity	**24,603**	23,890
Loans from non-controlling shareholders of subsidiaries	**156,285**	96,864
Amounts due to		
- fellow subsidiaries	**192**	112
- non-controlling shareholders of subsidiaries	**15,419**	5,131
- jointly controlled entities	**390**	-
- related companies	**5**	3
	464,739	358,200

The ageing analysis of the trade payables based on invoice date is as follows:

	2013	2012
	US$'000	*US$'000*
Within 30 days	**36,945**	23,182
31 - 60 days	**24,155**	1,735
61 - 90 days	**2,373**	1,443
Over 90 days	**17,510**	19,848
	80,983	46,208

7. OTHER OPERATING INCOME

	2013	2012
	US$'000	*US$'000*
Management fee and other service income	**6,936**	4,477
Dividend income from an unlisted investment	**1,923**	1,826
Write back of provision for impairment of trade receivables and finance lease receivables	**1,530**	1,362
Revaluation surplus of investment properties	**364**	403
Rental income from		
- investment properties	**397**	320
- buildings, leasehold land and land use rights	**872**	1,203
Gain on disposal of property, plant and equipment	**479**	157
Exchange gain, net	**11,468**	-
Write back of provision for inventories	**-**	12
Others	**7,695**	5,477
	31,664	15,237

8. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2013	2012
	US$'000	*US$'000*
Crediting		
Dividend income from an unlisted investment	**1,923**	1,826
Rental income from		
- investment properties	**397**	320
- buildings, leasehold land and land use rights	**872**	1,203
Gain on disposal of property, plant and equipment	**479**	157
Write back of provision for impairment of trade receivables and finance lease receivables	**1,530**	1,362
Write back of provision for inventories	-	12
Revaluation surplus of investment properties	**364**	403
Exchange gain, net	**11,468**	-
Charging		
Amortisation of		
- land use rights	**5,113**	4,768
- intangible assets	**2,117**	1,769
- other non-current assets (Note 3)	**1,898**	1,846
Depreciation of		
- owned property, plant and equipment leased out under operating leases	**111,424**	103,345
- other owned property, plant and equipment	**69,912**	56,148
Exchange loss, net	**-**	1,211
Loss on disposal of property, plant and equipment	**564**	437
Impairment loss of property, plant and equipment	**-**	375
Cost of inventories sold	**20,165**	17,023
Outgoings in respect of investment properties	**6**	5
Provision for impairment of trade receivables	**3,068**	895
Provision for inventories	**1,792**	-
Rental expense under operating leases of		
- land and buildings leased from third parties	**3,247**	3,850
- buildings leased from fellow subsidiaries	**1,553**	1,553
- buildings leased from a jointly controlled entity	**37**	33
- land use rights leased from non-controlling shareholders of subsidiaries	**1,096**	1,076
- plant and machinery leased from third parties	**443**	466
- containers leased from third parties	**30,462**	29,498
- Concession (Note 3)	**40,611**	36,652
Total staff costs (including directors' emoluments and retirement benefit costs)		
Wages, salaries and other benefits	**179,912**	146,233
Less: amounts capitalised in intangible assets	**(91)**	(66)
	179,821	146,167

9. FINANCE INCOME AND COSTS

	2013	2012
	US$'000	*US$'000*
Finance income		
Interest income on		
- bank balances and deposits	**15,705**	5,732
- loans to jointly controlled entities and an associate	**2,407**	3,479
	18,112	9,211
Finance costs		
Interest expenses on		
- bank loans	**(68,923)**	(70,358)
- notes wholly repayable within five years	**(4,840)**	(9,706)
- notes not wholly repayable within five years	**(12,033)**	-
- loans from non-controlling shareholders of subsidiaries	**(7,299)**	(5,803)
- loan from a jointly controlled entity	**(825)**	(846)
Fair value loss on derivative financial instruments	**(8,563)**	(5,385)
Fair value adjustment of notes attributable to interest rate risk	**11,239**	2,801
	2,676	(2,584)
Amortised amount of		
- discount on issue of notes	**(378)**	(151)
- transaction costs on bank loans and notes	**(3,359)**	(2,274)
	(94,981)	(91,722)
Less: amount capitalised in construction in progress	**12,611**	16,341
	(82,370)	(75,381)
Other incidental borrowing costs and charges	**(2,169)**	(1,882)
	(84,539)	(77,263)
Net finance costs	**(66,427)**	(68,052)

10. INCOME TAX EXPENSES

	2013	2012
	US$'000	*US$'000*
Current income tax		
- Hong Kong profits tax	**(228)**	(62)
- Mainland China taxation	**(13,302)**	(16,061)
- Overseas taxation	**(10,089)**	(5,546)
- Under provision in prior years	**(55)**	(10)
	(23,674)	(21,679)
Deferred income tax charge	**(9,823)**	(6,226)
	(33,497)	(27,905)

The Group's shares of income tax expenses of jointly controlled entities and associates of US$23,059,000 (2012: US$14,778,000) and US$18,315,000 (2012: US$45,003,000) 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 year of the Group's subsidiaries, jointly controlled entities and associates.

Hong Kong profits tax was provided at a rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

11. NET GAIN ON DISPOSAL OF AN ASSOCIATE

On 20 May 2013, the Group entered into a sale and purchase agreement to dispose of its 21.8% equity interest in CIMC, a then associate of the Company listed in Shenzhen and Hong Kong to Long Honour Investments Limited ("Long Honour"), a direct wholly owned subsidiary of COSCO (Hong Kong) Group Limited which in turn is a direct wholly owned subsidiary of China Ocean Shipping (Group) Company ("COSCO"), the ultimate controlling shareholder of the Company. The cash consideration was US$1,219,789,000. In June 2013, the disposal was approved by the independent shareholders of the Company. Accordingly, the container manufacturing and related businesses were reclassified as discontinued operation. COSCO Container Industries Limited ("COSCO Container"), a direct wholly owned subsidiary of the Company whose major asset is the Group's 21.8% equity interest in CIMC was disposed of in the same transaction. Long Honour had acquired the entire issued share capital and sale loan of COSCO Container. The disposal was completed on 27 June 2013 and resulted in a net gain of US$393,411,000 after deducting transaction costs and provisions of US$80,867,000. There was a net investing cash inflow from the discontinued operation amounting US$1,218,815,000 for the year ended 31 December 2013.

12. EARNINGS PER SHARE

(a) Basic

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

	2013	2012
Profit from continuing operations attributable to equity holders of the Company	**US$286,206,000**	US$280,299,000
Profit from discontinued operation attributable to equity holders of the Company	**US$416,470,000**	US$61,895,000
	US$702,676,000	US$342,194,000
Weighted average number of ordinary shares in issue	**2,816,153,817**	2,735,132,237
Basic earnings per share		
- from continuing operations	**US10.16 cents**	US10.25 cents
- from discontinued operation	**US14.79 cents**	US2.26 cents
	US24.95 cents	US12.51 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 year, 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.

	2013	2012
Profit from continuing operations attributable to equity holders of the Company	**US$286,206,000**	US$280,299,000
Profit from discontinued operation attributable to equity holders of the Company	**US$416,470,000**	US$61,895,000
	US$702,676,000	US$342,194,000
Weighted average number of ordinary shares in issue	**2,816,153,817**	2,735,132,237
Adjustments for assumed issuance of shares on exercise of dilutive share options	**190,291**	191,637
Weighted average number of ordinary shares for diluted earnings per share	**2,816,344,108**	2,735,323,874
Diluted earnings per share		
- from continuing operations	**US10.16 cents**	US10.25 cents
- from discontinued operation	**US14.79 cents**	US2.26 cents
	US24.95 cents	US12.51 cents

13. DIVIDENDS

	2013 ***US$'000***	2012 *US$'000*
Interim dividend paid of US2.396 cents (2012: US2.640 cents) per ordinary share	**66,758**	71,591
Special interim dividend paid of US5.648 cents (2012: Nil) per ordinary share	**157,366**	-
Final dividend proposed of US1.936 cents (2012: US2.364 cents) per ordinary share	**56,383**	65,862
Additional dividends paid on shares issued due to issue of scrip dividend and exercise of share options before the closure of register of members:		
- 2013 interim and special interim	**1,742**	-
- 2012 final	**4**	-
- 2012 interim	**-**	1,021
	282,253	138,474

Note:

At a meeting held on 25 March 2014, the directors recommended the payment of a final dividend of HK15.0 cents (equivalent to US1.936 cents) per ordinary share. The proposed dividend will be payable in cash and with a scrip dividend alternative. This proposed final dividend is not reflected as dividend payable in these consolidated financial statements until it has been approved at the annual general meeting, but will be reflected as an appropriation of retained profits for the year ending 31 December 2014.

14. CONTINGENT LIABILITIES

A statement of claim was issued on 19 October 2009 by Aronis-Drettas-Karlaftis Consultant Engineers S.A. ("ADK") against the Company and Piraeus Terminal, a wholly owned subsidiary of the Company, in a civil claim at the Court of First Instance of Athens in Greece alleging non-payment of fees for design services and project management services. The plaintiff has claimed approximately Euro 5,800,000 (equivalent to approximately US$8,000,000) in total. The Company and Piraeus Terminal defended all material claims at the trial hearing held on 30 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$41,000) 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 was first scheduled to take place on 13 November 2012 but was then postponed to 26 November 2013 due to the strike called by the Association of the Justices of the Greek courts. Subsequently, the hearing was further adjourned by the Court of Appeals of Athens to 21 October 2014 at the request of ADK. According to the rules of Greek Civil Procedure, the hearing cannot be adjourned again, except only if the courts are closed for whatever reason on 21 October 2014. 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.

15. EVENT AFTER THE BALANCE SHEET DATE

On 13 March 2014, COSCO Ports (ACT) Limited, a wholly-owned subsidiary of the Company and Sea Prime Holdings Limited, a wholly-owned subsidiary of Hutchison Ports Holdings Trust, entered into a 50:50 joint venture arrangement for the establishment of a joint venture company, COSCO-HPHT ACT Limited, to acquire 80% equity interest in Asia Container Terminals Holdings Limited. The total consideration paid by the Group under the Subscription Agreement and Assignment Deeds is HK$1,648,000,000 (equivalent to approximately US$212,335,000). Completion of the subscription and assignment took place on 13 March 2014.

AUDITOR'S WORK ON THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2013 have been compared by the Company's auditor, PricewaterhouseCoopers, to the corresponding figures set out in the Group's draft consolidated financial statements for the year ended 31 December 2013 and found to be in agreement. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

FINAL DIVIDEND

The directors recommend the payment of a final dividend of HK15.0 cents (2012: HK18.3 cents) per share for the year ended 31 December 2013, with an option to receive new fully paid shares in lieu of cash ("Scrip Dividend Scheme").

The proposed final dividend will be payable to shareholders whose names appear on the register of members of the Company on 23 May 2014. The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the final dividend by the shareholders of the Company at the Annual General Meeting to be held on Thursday, 15 May 2014 ("2014 AGM") and 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, 16 July 2014.

Details of the Scrip Dividend Scheme and the election form will be sent to shareholders on or about Thursday, 19 June 2014.

CLOSURES OF REGISTER OF MEMBERS

(a) For determining the entitlement to attend and vote at the 2014 AGM

The 2014 AGM of the Company is scheduled to be held on Thursday, 15 May 2014. For determining the entitlement to attend and vote at the 2014 AGM, the register of members of the Company will be closed from Tuesday, 13 May 2014 to Thursday, 15 May 2014, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2014 AGM, 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 (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014), for registration not later than 4:30 p.m. on Monday, 12 May 2014.

(b) For determining the entitlement to the proposed final dividend

The proposed final dividend for the year ended 31 December 2013 is subject to approval by the shareholders of the Company at the 2014 AGM. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 21 May 2014 to Friday, 23 May 2014, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, 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 (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014), for registration not later than 4:30 p.m. on Tuesday, 20 May 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Analysis of Results

Profit attributable to equity holders of COSCO Pacific for the year 2013 was US$702,676,000 (2012: US$342,194,000), a 105.3% increase compared with last year. Excluding profit from the discontinued container manufacturing business, profit attributable to equity holders of COSCO Pacific for 2013 was US$286,206,000 (2012: US$280,299,000), a 2.1% increase compared with 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 year (2012: US$61,895,000).

Profit from the terminals business for 2013 was US$186,767,000 (2012: US$188,964,000), a 1.2% decrease compared with last year. In 2013, the throughput of the Group's container terminals was 61,284,891 TEU (2012: 55,685,225 TEU), a 10.1% increase compared with last year. Equity throughput increased to 17,196,297 TEU (2012: 15,638,070 TEU), a 10.0% increase compared with last year. With regard to terminals in which the Group has controlling stakes, Piraeus Terminal in Greece and Guangzhou South China Oceangate Terminal showed strong performances during the year, recording a profit of US$23,051,000 (2012: US$19,864,000) and US$8,282,000 (2012: US$6,182,000) respectively, representing a 16.0% increase and a 34.0% increase respectively compared with last year. Xiamen Ocean Gate Terminal, a subsidiary of the Group which started operation in May 2012, is still in a ramp-up period. Its full-year loss in 2013, together with its acquisition of Xiamen Haitou Tongda Terminal Co., Ltd. ("Xiamen Tongda Terminal") in March 2013, amounted to a total loss of US$14,112,000 for the year (2012: a loss of US$11,039,000). In respect of non-controlled terminals, the tax holiday 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, resulting in a decrease in profit at these terminals. In addition, COSCO-HIT Terminals (Hong Kong) Limited ("COSCO-HIT Terminal") recorded a decline in profit compared with last year due to rising borrowing costs and a strike. However, Taicang International Container Terminal Co., Ltd. ("Taicang Terminal"), in which the Group acquired an equity interest in August 2013, contributed a share of profit of US$1,437,000 for the year, partly offsetting the decrease in the profit from non-controlled terminals. The combination of the above factors resulted in a slight decrease in the profit of the terminals business of COSCO Pacific in 2013.

The container leasing, management and sale businesses recorded a profit of US$125,259,000 (2012: US$139,522,000) for the year, a 10.2% decrease compared with last year. As at 31 December 2013, the fleet size of the Group increased to 1,888,200 TEU (31 December 2012: 1,855,597 TEU), a 1.8% increase compared with last year.

With regard to the container manufacturing business, the Group completed the disposal of its 21.8% equity interest in CIMC on 27 June 2013, recording a net gain of US$393,411,000 on the disposal. COSCO Pacific's share of profit of CIMC for 2013, which is limited to the profit for the period from January to May as the disposal of its equity interest in CIMC was completed in June 2013, was

US$23,059,000 (January to December of 2012: US$61,895,000), a 62.7% decrease compared with last year. Including the net gain on the disposal of its equity interest in CIMC and the share of profit of CIMC for the year, the profit from the discontinued container manufacturing business amounted to US$416,470,000 (2012: US$61,895,000).

Financial Analysis

Revenue

Revenue of the Group for 2013 was US$798,626,000 (2012: US$735,500,000), an 8.6% increase compared with last year. The revenue was primarily derived from the terminals business of US$455,071,000 (2012: US$402,161,000) and the container leasing, management and sale businesses of US$347,747,000 (2012: US$336,224,000).

Revenue from terminals business for 2013 increased by 13.2% compared with last year. The increase was mainly derived from Piraeus Terminal, Guangzhou South China Oceangate Terminal and Xiamen Ocean Gate Terminal. The throughput of Piraeus Terminal reached 2,519,664 TEU (2012: 2,108,090 TEU) in 2013, contributing a revenue of US$155,429,000 (2012: US$134,773,000) to the Group, a 15.3% increase compared with last year. The throughput of Guangzhou South China Oceangate Terminal was 4,449,311 TEU (2012: 4,230,574 TEU) in 2013, and its revenue increased to US$132,329,000 (2012: US$119,270,000), a 10.9% increase compared with last year. In addition, Xiamen Ocean Gate Terminal, which commenced operation in May 2012 and acquired Xiamen Tongda Terminal in March 2013, recorded a revenue of US$19,275,000 in total (2012: US$6,372,000) during the year, a 202.5% increase compared with last year.

In respect of the container leasing, management and sale businesses, revenue for 2013 was US$347,747,000 (2012: US$336,224,000), a 3.4% increase compared with last year. The revenue primarily included container leasing income and revenue from the disposal of returned containers. As at 31 December 2013, the fleet capacity of owned containers and sale-and-leaseback containers reached 1,085,507 TEU and 250,290 TEU respectively (31 December 2012: 995,961 TEU and 229,283 TEU respectively). With an increase in the fleet size during the year, revenue from container leasing for 2013 increased to US$290,883,000 (2012: US$280,514,000), a 3.7% increase compared with last year. On the other hand, the number of returned containers disposed of during 2013 was 35,714 TEU (2012: 31,671 TEU). The revenue from the disposal of returned containers was US$42,967,000 (2012: US$42,606,000).

Cost of sales

Cost of sales mainly comprised operating expenses of the terminal companies in which the Group has controlling stakes, depreciation charges on owned containers, net carrying amount of returned containers disposed of and rental expenses of sale-and-leaseback containers. Cost of sales in 2013 was US$480,457,000 (2012: US$420,218,000), a 14.3% increase compared with last year. Of this, cost of sales of terminals business in which the Group has controlling stakes was US$310,696,000 (2012: US$268,574,000), a 15.7% increase compared with last year. The increase was mainly attributable to a rise in the related cost of sales resulting from an increase in the business volume of terminals business in which the Group has controlling stakes. In addition, the cost of sales of Xiamen Ocean Gate Terminal, which commenced operation in May 2012, has been fully included in 2013. Cost of sales of the container leasing, management and sale businesses was US$169,989,000 (2012: US$151,658,000), a 12.1% increase compared with last year. Of this, depreciation charges for containers were US$110,507,000 (2012: US$102,407,000). The net carrying amount of returned containers disposed of in 2013 was US$20,165,000 (2012: US$17,023,000).

Administrative expenses

Administrative expenses in 2013 were US$90,058,000 (2012: US$91,919,000), a 2.0% decrease compared with last year. The overall administrative expenses of COSCO Pacific decreased in the year as controlled subsidiaries controlled costs strictly.

Finance costs

The Group's finance costs in 2013 were US$84,539,000 (2012: US$77,263,000), a 9.4% increase compared with last year. The rise in finance costs was primarily attributable to an increase in the average balance of bank loans of the Group to US$2,607,329,000 (2012: US$2,300,291,000) in 2013, a 13.3% increase compared with last year. In addition, Xiamen Ocean Gate Terminal commenced operation in May 2012, and its interest expenses were expensed-off once its berths and terminal equipment were ready for use, which caused an increase in finance costs. Taking into account capitalised interest, the average cost of bank borrowings in 2013, including the amortisation of transaction costs relating to bank loans and notes, was 3.41%, compared with 3.78% last year.

Other operating income/(expenses), net

Net other operating income for the year was US$18,708,000 (2012: US$4,025,000), which included a net exchange gain of US$11,468,000 (2012: a net exchange loss of US$1,211,000) for 2013.

Share of profit contribution from 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 2013 amounted to US$153,910,000 (2012: US$161,143,000), representing a decrease of 4.5% compared with last year. The decrease was mainly attributable to Qingdao Qianwan Terminal, COSCO-HIT Terminal and Shanghai Pudong Terminal. The tax holiday of 50% income tax relief for Qingdao Qianwan Terminal and Shanghai Pudong Terminal expired at the end of 2012 and hence the income tax for 2013 needs to be provided for in full. The Group's share of profit of Qingdao Qianwan Terminal for the year was US$29,521,000 (2012: US$37,689,000), a 21.7% decrease compared with last year. The Group's share of profit of Shanghai Pudong Terminal for the year was US$19,686,000 (2012: US$21,588,000), an 8.8% decrease compared with last year. Meanwhile, as a result of a rise in borrowing costs and the strike, COSCO-HIT Terminal recorded a profit of US$16,203,000 (2012: US$22,163,000) for 2013, representing a 26.9% decrease compared with last year. However, Taicang Terminal, in which the Group acquired an interest in August 2013, contributed a share of profit of US$1,437,000. In addition, Shanghai Container Terminals Limited ("Shanghai Terminal") received a tax rebate in 2013. The Group's share of profit of Shanghai Terminal for 2013 was US$4,656,000 (2012: US$2,413,000), partly offsetting the decrease.

Income tax expenses

During the year, income tax expenses amounted to US$33,497,000 (2012: US$27,905,000). This included a provision of US$14,282,000 (2012: US$15,403,000) for withholding income tax in respect of the profit distribution by certain investments of the Group.

Discontinued operation

Profit from discontinued operation represents profit derived from the container manufacturing business. The Group completed the disposal of its 21.8% equity interest in CIMC on 27 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 (January to December of 2012: US$61,895,000) for the year, a 62.7% decrease compared with last year. Including the net gain on the disposal of its equity interest in CIMC and the share of profit of CIMC for the year, the total profit from the discontinued container manufacturing business amounted to US$416,470,000 (2012: US$61,895,000).

Financial Position

Cash flow

Cash inflow of the Group remained steady in 2013. During the year, net cash from operating activities amounted to US$476,544,000 (2012: US$427,345,000). The Group borrowed bank loans of US$283,691,000 (2012: US$1,165,121,000) in 2013 and issued US$300,000,000 of 10-year guaranteed notes in January 2013. During the year, the Group repaid loans of US$900,523,000 (2012: US$726,641,000), and in October 2013, the Group repaid the US$300,000,000 of 10-year notes issued in 2003.

During the year, an amount of US$531,526,000 (2012: US$710,372,000) was paid in cash by the Group for the expansion of berths and purchase of property, plant and equipment, of which US$255,198,000 (2012: US$371,691,000) was for the purchase of new containers. In addition, the total cash outflow for capital investment by COSCO Pacific amounted to US$104,311,000 in 2013, comprising US$52,319,000 for the acquisition of the equity interest in Taicang Terminal, net equity investment of US$31,794,000 for the acquisition of the equity interest in Xiamen Tongda Terminal and US$20,198,000 used for capital injection in Ningbo Yuan Dong Terminals Limited ("Ningbo Yuan Dong Terminal"). Cash outflow for capital investment and shareholder's loan by the Group amounted to US$81,287,000 in 2012, mainly comprising US$45,000,000 for acquiring the equity interest in Cheer Dragon Investment Limited and its associate Kao Ming Container Terminal Corp. ("Kao Ming Terminal"), US$29,732,000 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 31 December 2013, the Group's total outstanding bank borrowings and cash balance amounted to US$2,046,210,000 (31 December 2012: US$2,601,697,000) and US$1,237,551,000 (31 December 2012: US$849,330,000) respectively. Banking facilities available but unused amounted to US$504,575,000 (31 December 2012: US$636,285,000).

Assets and liabilities

As at 31 December 2013, the Group's total assets and total liabilities were US$7,551,304,000 (31 December 2012: US$7,363,858,000) and US$2,707,810,000 (31 December 2012: US$3,146,465,000) respectively. Net assets were US$4,843,494,000, representing an increase of 14.8% as compared with US$4,217,393,000 at the end of 2012. Net current assets at the end of 2013 amounted to US$650,796,000 (31 December 2012: net current liabilities of US$48,302,000). As at 31 December 2013, the net asset value per share of the Company was US$1.66 (31 December 2012: US$1.51).

As at 31 December 2013, the net debt-to-total equity ratio had decreased to 16.7% (31 December 2012: 41.6%). Including the discontinued operation, the interest coverage was 9.9 times (2012: 5.9 times). As at 31 December 2013, certain of the Group's property, plant and equipment with an aggregate net book value of US$65,473,000 (31 December 2012: US$18,828,000) were pledged as securities against bank borrowings of US$275,785,000 (31 December 2012: US$197,858,000).

Debt analysis

By repayment term	As at 31 December 2013 US$	(%)	As at 31 December 2012 US$	(%)
Within the first year	**275,785,000**	**13.5**	775,042,000	29.8
Within the second year	**567,710,000**	**27.7**	414,914,000	15.9
Within the third year	**144,492,000**	**7.1**	558,290,000	21.5
Within the fourth year	**270,678,000**	**13.2**	162,898,000	6.3
Within the fifth year and after	**787,545,000**	**38.5**	690,553,000	26.5
	2,046,210,000 *	**100.0**	2,601,697,000 *	100.0
By category				
Secured borrowings	**275,277,000**	**13.5**	197,858,000	7.6
Unsecured borrowings	**1,770,933,000**	**86.5**	2,403,839,000	92.4
	2,046,210,000 *	**100.0**	2,601,697,000 *	100.0
By denominated currency				
US dollar borrowings	**1,375,387,000**	**67.2**	1,621,148,000	62.3
RMB borrowings	**395,546,000**	**19.3**	782,691,000	30.1
Euro borrowings	**275,277,000**	**13.5**	197,858,000	7.6
	2,046,210,000 *	**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 31 December 2013, the Group provided guarantees on a loan facility granted to an associate of US$21,094,000 (31 December 2012: US$24,428,000).

Contingent liabilities

A statement of claim was issued on 19 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$8,000,000) in total. The Company and Piraeus Terminal defended all material claims at the trial hearing held on 30 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$41,000) 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 was first scheduled to take place on 13 November 2012 but was then postponed to 26 November 2013 due to the strike called by the Association of the Justices of the Greek courts. Subsequently, the hearing was further adjourned by the Court of Appeals of Athens to 21 October 2014 at the request of ADK. According to the rules of Greek Civil Procedure, the hearing cannot be adjourned again, except only if the courts are closed for whatever reason on 21 October 2014. 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 as far as possible with the Group's functional currency of major cash receipts and underlying assets. Borrowings for the 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 are denominated in their respective functional currencies so as to minimise foreign exchange exposure in investments.

As at 31 December 2013, 14.7% of the Group's total borrowings were in fixed rate. At the end of 2012, after adjustment of the fixed rate borrowings for interest rate swap contracts, 3.8% of the Group's total borrowings were at a fixed rate as at 31 December 2012. The Group continues to monitor and regulate its fixed and floating rate debt portfolio from time to time in light of market conditions, with a view to minimising its potential interest rate exposure.

Event after the balance sheet date

On 13 March 2014, COSCO Ports (ACT) Limited, a wholly-owned subsidiary of the Company and Sea Prime Holdings Limited, a wholly-owned subsidiary of Hutchison Ports Holdings Trust, entered into a 50:50 joint venture arrangement for the establishment of a joint venture company, COSCO-HPHT ACT Limited, to acquire 80% equity interest in Asia Container Terminals Holdings Limited. The total consideration paid by the Group under the Subscription Agreement and Assignment Deeds is HK$1,648,000,000 (equivalent to approximately US$212,335,000). Completion of the subscription and assignment took place on 13 March 2014.

OPERATIONAL REVIEW

Terminals

The recovery of the world economy and global trade remained slow during 2013. In January 2014, International Monetary Fund ("IMF") estimated the growth of global economy to have been 3.0% in 2013, similar to the 3.1% recorded in 2012. For the Eurozone, the IMF's growth estimate was -0.4%, representing the second consecutive year of negative growth. The growth of global trade was put at 2.7%, the same as in 2012.

The growth in global container port throughput experienced a further slowdown. According to the forecast by Drewry Shipping Consultants Limited ("Drewry") in December 2013, the growth in global container port throughput in 2013 was estimated to be 3.3% (2012: +4.6%).

Growth in China's foreign trade remained flat in 2013, with a growth rate similar to that of 2012. According to the Chinese Ministry of Commerce, the growth in China's imports and exports was 7.3% (2012: 4.3%) and 7.9% (2012: 7.9%) respectively in 2013. Throughput at Chinese ports in 2013 saw slower growth. According to the statistics from a port association in mainland China, throughput at China's container ports grew by approximately 6.7% in 2013 (2012: approximately +8.0%).

Among the top ten container ports in mainland China, Shanghai port in the Yangtze River Delta and Shenzhen port and Guangzhou port in the Pearl River Delta recorded low single-digit growth, reflecting the continued weak economic recovery in Europe and the United States.

Throughput Growth Remained Stable Overall while Some Overseas Terminals Outperformed

During the year, the growth of container throughput at the Group's terminals remained stable. The equity throughput rose by 10.0% to 17,196,297 TEU (2012: 15,638,070 TEU). Even though profit from the terminals business deceased slightly by 1.2% to US$186,767,000 in 2013 (2012: US$188,964,000) as a result of cost increases, certain terminals reported distinctive performances that were mainly driven by throughput growth, representing highlights for the year.

Overseas terminals performed satisfactorily during the year. Despite Piraeus Terminal in Greece being impacted by an increase in the rate of local corporate taxation, the terminal recorded a 16.0% growth in profit to US$23,051,000 (2012: US$19,864,000) thanks to a 19.5% increase in throughput that was attributable to continued business development. The profit from Suez Canal Container Terminal S.A.E. ("Suez Canal Terminal") in Egypt rose by 15.9% to US$10,261,000 (2012: US$8,857,000). The loss from Antwerp Gateway NV ("Antwerp Terminal") in Belgium narrowed further.

The profit from Ningbo Yuan Dong Terminal rose by 26.7% to US$9,965,000 (2012: US$7,864,000). The profit from Guangzhou South China Oceangate Terminal rose by 34.0% to US$8,282,000 (2012: US$6,182,000), while that from Yantian International Container Terminals Co., Ltd. ("Yantian Terminal") rose by 2.4% to US$54,906,000 (2012: US$53,639,000). In addition, the acquisition of 39.04% equity interest in Taicang Terminal was completed on 22 July 2013, which generated US$1,437,000 in profit attributable to the Group during the year.

Despite such increases, due to the relatively high increase of costs at certain terminals, the overall profit for the terminals business in 2013 decreased as compared to 2012. Among these, the profits from Qingdao Qianwan Terminal and Shanghai Pudong Terminal decreased by 21.7% to US$29,521,000 (2012: US$37,689,000) and by 8.8% to US$19,686,000 (2012: 21,588,000) respectively. Such cost increases were mainly due to expiry of the tax holiday of 50% of income tax relief at the end of 2012.

In addition, the profit from COSCO-HIT Terminal decreased by 26.9% to US$16,203,000 (2012: US$22,163,000) as showing the impact of an increase in borrowing costs and of a strike. Meanwhile, Xiamen Ocean Gate Terminal, whose operations commenced in May 2012, was still in a ramp-up phase. Its loss in its first full year, which includes the cost of its acquisition of Xiamen Tongda Terminal in March 2013, amounted to US$14,112,000 in 2013 (2012: a loss of US$11,039,000).

Revenue Recorded Satisfactory Growth

The majority of the terminal subsidiaries recorded growth in 2013. Piraeus Terminal and Guangzhou South China Oceangate Terminal continued to drive the Group's revenue growth in 2013. The revenue from Piraeus Terminal increased by 15.3% to US$155,429,000 (2012: US$134,773,000), while that from Guangzhou South China Oceangate Terminal increased by 10.9% to US$132,329,000 (2012: US$119,270,000). Xiamen Ocean Gate Terminal and Xiamen Tongda Terminal recorded a total revenue of US$19,275,000 (2012: US$6,372,000), representing an increase of 202.5%.

Looking at the full-year performance, revenue from the terminals business of COSCO Pacific reached US$455,071,000 (2012: US$402,161,000), up 13.2%. Revenue from the terminals business accounted for 57.0% (2012: 54.7%) of the Group's revenue and remained the anchor of the Group's steady operations.

Throughput Growth Secured, Ranked the World's No.4 Position

According to Drewry's "Global Container Terminal Operators Annual Review and Forecast" published in August 2013, the total container throughput of COSCO Pacific's terminals accounted for approximately 9.0% of the world total, up 0.1 percentage point year-on-year. The Group's ranking among the world's container terminal operators rose from number five to number four.

The total container throughput of the Group reached 61,284,891 TEU (2012: 55,685,225 TEU), up 10.1%, in line with the high end of the growth target set by the Group's management of 10%. Equity throughput rose 10.0% and reached 17,196,297 TEU (2012: 15,638,070 TEU), a slowing of the growth rate to a level similar to that of the total throughput. This was mainly due to the cooling from the rapid growth rates experienced by Piraeus Terminal and Guangzhou South China Oceangate Terminal in recent years.

The Group's terminal companies in mainland China (excluding Hong Kong and Taiwan) handled 50,410,965 TEU (2012: 46,696,103 TEU) in total, up 8.0%, higher than the national average growth rate of approximately 6.7%.

The throughput of the Bohai Rim region was 23,534,240 TEU (2012: 21,747,801 TEU), an increase of 8.2%, and accounting for 38.4% of the Group's total throughput. 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"), two jointly controlled entities of Qingdao Qianwan Terminal, and Tianjin Port Euroasia International Container Terminal Co., Ltd. ("Tianjin Euroasia Terminal") have entered a stable growth phase after growth plateaued following their launch of operations. During the year, the throughput of Qingdao Qianwan Terminal and Tianjin Euroasia Terminal increased by 6.7% to 14,981,635 TEU (2012: 14,045,503 TEU) and 5.7% to 1,803,407 TEU (2012: 1,705,667 TEU) respectively.

The throughput of the Yangtze River Delta region rose by 15.7% to 9,513,006 TEU (2012: 8,219,406 TEU), accounting for 15.5% of the Group's total. During the year, while the operation of Shanghai Pudong Terminal in the first half of the year was affected by a platform retrofitting project, the volume picked up in the second half of the year as a result of several new shipping routes being introduced to the terminal after the project was completed. The throughput of Shanghai Pudong Terminal increased by 4.4% to 2,246,026 TEU (2012: 2,151,297 TEU). Ningbo Yuan Dong Terminal successfully introduced additional international transshipment routes, leading to a 16.8% increase to 2,806,406 TEU (2012: 2,402,554 TEU). The acquisition of 39.04% equity interest in Taicang Terminal was completed on 22 July 2013. The Group has included the terminal's throughput since August 2013 and its throughput for the year was 235,759 TEU.

The combined throughput of the Southeast Coast and other regions reached 3,288,999 TEU (2012: 1,831,564 TEU), up 79.6% and accounting for 5.4% of the total throughput. Xiamen Ocean Gate Terminal commenced operations in May 2012. The year 2013 was the first full year of operations of the terminal, which has been experiencing a period of rapid growth. Its throughput surged by 124.5% to 609,393 TEU (2012: 271,449 TEU). In addition, the Group had completed its acquisition of 10% effective interest in Kao Ming Terminal in the Port of Kaohsiung, Taiwan on 27 December 2012. The terminal contributed 1,170,704 TEU to the Group's throughput during the full year of 2013. A decrease in the export of construction materials from Quanzhou affected the container handling business of Quan Zhou Pacific Container Terminal Co., Ltd., where throughput decreased by 9.2% to 1,090,660 TEU (2012: 1,201,279 TEU).

The throughput of the Pearl River Delta region reached 16,884,699 TEU (2012: 16,581,080 TEU), representing an increase of 1.8% and accounting for 27.5% of the total throughput. The throughput of Yantian Terminal rose by 1.2% to 10,796,113 TEU (2012: 10,666,758 TEU), primarily driven by growth in transshipment cargoes. 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. While the cargo mix has changed, the terminal recorded a throughput of 4,449,311 TEU (2012: 4,230,574 TEU) during the year, up 5.2%. The throughput of COSCO-HIT Terminal decreased by 2.6% to 1,639,275 TEU (2012: 1,683,748 TEU) due to a strike by dock workers.

The throughput of overseas terminals reached 8,063,947 TEU (2012: 7,305,374 TEU), representing an increase of 10.4% and accounting for 13.2% of the total throughput. Piraeus Terminal handled 2,519,664 TEU (2012: 2,108,090 TEU), up 19.5%, thanks to effective marketing strategies and optimisation of the customer mix. Suez Canal Terminal in Egypt enjoyed an increase of shipping routes calling, enabling its throughput to reach 3,124,828 TEU (2012: 2,863,167 TEU), up 9.1%. PSA Corporation Limited has leased 40% of the operating capacity of COSCO-PSA Terminal Private Limited in Singapore since July 2012 under its replacement of volume contribution commitment. As a result, the throughput of the terminal declined in 2013 by 14.9% to 1,048,846 TEU (2012: 1,232,954 TEU). The throughput of Antwerp Terminal in Belgium grew by 24.5% to 1,370,609 TEU (2012: 1,101,163 TEU), driven by the successful introduction of new routes since mid 2013, which improved its operational performance during the year.

Throughput of Terminals

Terminal companies	2013 (TEU)	2012 (TEU)	Change (%)
Bohai Rim	**23,534,240**	**21,747,801**	**+8.2**
Qingdao Qianwan Container Terminal Co., Ltd. Note 1	14,981,635	14,045,503	+6.7
Tianjin Five Continents International Container Terminal Co., Ltd.	2,300,918	2,180,184	+5.5
Tianjin Port Euroasia International Container Terminal Co., Ltd.	1,803,407	1,705,667	+5.7
Dalian Port Container Terminal Co., Ltd.	2,732,174	2,216,353	+23.3
Yingkou Container Terminals Company Limited	1,716,106	1,600,094	+7.3
Yangtze River Delta	**9,513,006**	**8,219,406**	**+15.7**
Shanghai Pudong International Container Terminals Limited	2,246,026	2,151,297	+4.4
Ningbo Yuan Dong Terminals Limited	2,806,406	2,402,554	+16.8
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	1,374,596	1,228,935	+11.9
Yangzhou Yuanyang International Ports Co., Ltd.	449,849	401,003	+12.2
Taicang International Container Terminal Co., Ltd.	235,759	-	N/A
Nanjing Port Longtan Container Co., Ltd.	2,400,370	2,035,617	+17.9
Southeast Coast and others	**3,288,999**	**1,831,564**	**+79.6**
Quan Zhou Pacific Container Terminal Co., Ltd.	1,090,660	1,201,279	-9.2
Jinjiang Pacific Ports Development Co., Ltd.	418,242	358,836	+16.6
Xiamen Ocean Gate Container Terminal Co., Ltd.	609,393	271,449	+124.5
Kao Ming Container Terminal Corp.	1,170,704	-	N/A
Pearl River Delta	**16,884,699**	**16,581,080**	**+1.8**
Yantian International Container Terminals Co., Ltd.	10,796,113	10,666,758	+1.2
COSCO-HIT Terminals (Hong Kong) Limited	1,639,275	1,683,748	-2.6
Guangzhou South China Oceangate Container Terminal Company Limited	4,449,311	4,230,574	+5.2
Overseas	**8,063,947**	**7,305,374**	**+10.4**
Piraeus Container Terminal S.A.	2,519,664	2,108,090	+19.5
Suez Canal Container Terminal S.A.E.	3,124,828	2,863,167	+9.1
COSCO-PSA Terminal Private Limited	1,048,846	1,232,954	-14.9
Antwerp Gateway NV	1,370,609	1,101,163	+24.5
Total throughput	**61,284,891**	**55,685,225**	**+10.1**

Note 1: Throughput of Qingdao Qianwan Terminal includes the throughput of Qingdao Qianwan United Terminal and Qingdao Qianwan United Advance Terminal and these two terminals are jointly controlled entities of Qingdao Qianwan Terminal. The throughput of the two terminals was 3,975,335 TEU (2012: 3,253,010 TEU) and 1,305,917 TEU (2012: 1,146,692 TEU) respectively.

Note 2: The total throughput of break-bulk cargo in 2013 was 40,436,547 tons (2012: 23,690,892 tons), an increase of 70.7%. The throughput of Dalian Automobile Terminal Co., Ltd. reached 358,227 vehicles (2012: 226,563 vehicles), an increase of 58.1%.

Annual Handling Capacity Increased by 4.1% to 62,750,000 TEU

As of 31 December 2013, there were 104 berths (2012: 99) under the Group's operating container terminals and the total annual handling capacity was 62,750,000 TEU (2012: 60,300,000 TEU). There were 11 break-bulk berths (2012: 8), with a total annual handling capacity of 17,050,000 tons (2012: 9,050,000 tons).

During 2013, five container berths with a total annual handling capacity of 2,450,000 TEU and three break-bulk berths with a total annual handling capacity of 8,000,000 tons were newly-added. The additional annual handling capacity included those respectively from Ningbo Yuan Dong Terminal (1,200,000 TEU), Xiamen Ocean Gate Terminal (4,000,000 tons), Piraeus Terminal (700,000 TEU), and Taicang Terminal (550,000 TEU and 4,000,000 tons).

During the year, the Group adhered to its strategy to expand handling capacity via terminal asset acquisitions and the expansion of terminals already in operation. For the expansion of terminals in operation, new berths commenced operations in Piraeus Terminal and Ningbo Yuan Dong Terminal. With a quay length of 600 metres and a depth alongside of 16 metres, Pier 3 of Piraeus Terminal will construct and operate two container berths. The first berth, with an annual handling capacity of 700,000 TEU, commenced operation in June 2013. Equipped with state-of-the-art equipment, Pier 3 is capable of handling container vessels with a capacity of 18,000 TEU.

In addition to providing efficient, reliable and stable container loading and unloading services for international shipping companies, Piraeus Terminal provides value-added services for global enterprises that take advantage of its prime location in the region. During the year, two global information and technology companies chose the terminal to be their logistics distribution centre for the Mediterranean region. The terminal's service quality has been recognised by global companies and will continue to strengthen connectivity with the Greek railway network to expand its hinterland, enhancing opportunities for business development.

In addition, with a total annual handling capacity of 1,200,000 TEU, Berths 10 and 11 of Ningbo Yuan Dong Terminal started operation in February 2013. With a depth alongside of 22 metres, they are the only berths in Ningbo Port capable of receiving container vessels with a capacity of 18,000 TEU. By providing loading and unloading services for large container vessels, they are enhancing the terminal's competitiveness.

The Group also sought to diversify its terminals business. The acquisitions of 70% effective interest in Xiamen Tongda Terminal and 39.04% equity interest in Taicang Terminal were completed. The considerations were approximately RMB205,864,000 (equivalent to US$33,575,000) and RMB323,109,000 (equivalent to US$52,319,000) respectively. Xiamen Tongda Terminal holds and operates Berth 13, a break-bulk berth at the Haicang port area of Xiamen Port, with an annual handling capacity of 4,000,000 tons. Taicang Terminal holds and operates two container berths and two break-bulk berths, with annual handling capacities respectively 550,000 TEU and 4,000,000 tons.

On 29 May 2013, the Group, Qingdao Port Group, China Merchants Holdings (International) Company Limited and IMC Group Limited entered into an agreement to establish a joint venture to operate an iron ore terminal which had been built at Dongjiakou port area in Qingdao, China. 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 have 25% equity 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 terminals business. The joint venture, Qingdao Port Dongjiakou Ore Terminal Co., Ltd. was established in January 2014 and the acquisition is expected to complete in the first half of 2014.

Container Leasing, Management and Sale

The price of containers experienced a downward trend during 2013 that was caused by weak demand for container leasing services. Although container shipping lines increased capacity in the first half of the year, container trade subsequently lost momentum as a result of the protracted weakness of the global economy. A rebound in demand for new containers emerged only at the end of the second quarter of 2013 and did not continue into the second half of the year.

The Group's container leasing, management and sale businesses are operated and managed by Florens Container Holdings Limited and its subsidiaries. During the year, both numbers of containers on hire and disposal of returned containers upon expiry of 10-year leases recorded growth, thus leading to an increase in overall revenue. The market price of containers and the overall average utilisation rate of the Group's containers, on the other hand, decreased as a result of the weak demand for the container leasing. Profit therefore decreased by 10.2% to US$125,259,000 (2012: US$139,522,000).

Long-term leases accounted for 95.5% (2012: 94.3%) of the Group's total revenue from container leasing in 2013, while revenue from master leases accounted for 4.5% (2012: 5.7%). With containers leased mainly on a long-term basis, the Group enjoys a stable source of income and the overall average utilisation rate of the Group's containers remained stable during the year. Overall average utilisation was 94.5% (2012: 95.3%), higher than the industry average of approximately 93.9% (2012: approximately 94.8%).

Steady Growth in Leasing Revenue

In 2013, revenue from the Group's container leasing, management and sale businesses reached US$347,747,000 (2012: US$336,224,000), representing an increase of 3.4%. The growth was mainly attributable to the increase in revenue from container leasing.

Revenue from container leasing was US$290,883,000 (2012: US$280,514,000), representing an increase of 3.7%. Revenue from container leasing represented 83.6% (2012: 83.4%) of the total revenue of the container leasing, management and sale businesses. The fleet size of owned containers and sale-and-leaseback containers increased by 9.0% to 1,335,797 TEU (2012: 1,225,244 TEU). The decreases in the Group's overall average utilisation rate and the prevailing market lease rates limited revenue growth in container leasing.

Revenue from the disposal of returned containers increased by 0.8% to US$42,967,000 (2012: US$42,606,000), representing 12.4% (2012: 12.7%) of the total revenue of the container leasing, management and sale businesses. Although the number of disposed returned containers increased by 12.8% to 35,714 TEU (2012: 31,671 TEU), growth in revenue from the disposal of returned containers was minimal as a result of the lower sale prices achieved. During the year, the number of containers returned from COSCO Container Lines Company Limited ("COSCON") upon expiry of 10-year leases was 36,193 TEU (2012: 28,098 TEU).

Revenue from managed containers decreased by 1.3% to US$7,398,000 (2012: US$7,492,000), as the fleet size declined to 552,403 TEU (2012: 630,353 TEU), a decrease of 12.4%, and represented 2.1% (2012: 2.2%) of the total revenue of the container leasing, management and sale businesses.

The Group has a strong risk management system to evaluate the credit risk of customers. Core customers of the Group are reliable container shipping lines, and during the year, 74.9% (2012: 72.1%) of the container leasing revenue of the Group came from the world's top ten container shipping lines.

Maintained our Rank as the World's Fourth Largest Container Leasing Company

As of 31 December 2013, the Group's container fleet had reached 1,888,200 TEU (31 December 2012: 1,855,597 TEU), up 1.8%. The Group was the world's fourth largest container leasing company, with a market share of approximately 11.3% (2012: approximately 12.0%). The average age of containers in the fleet was 6.35 years (2012: 6.13 years).

During the year, the Group purchased 151,500 TEU (2012: 162,742 TEU) of new containers. Among these, 138,459 TEU (2012: 120,000 TEU) were purchased for COSCON, accounting for 91.4% (2012: 73.7%) of total new containers, while 13,041 TEU (2012: 42,742 TEU) were for international customers, representing 8.6% (2012: 26.3%) of total new containers. The capital expenditure on new containers was US$288,754,000 (2012: US$371,668,000).

Breakdown of Owned, Sale-and-leaseback and Managed Containers

As at 31 December	**Leasing Customers**	**2013 (TEU)**	2012 (TEU)	**Change (%)**
Owned Containers	COSCON	**490,191**	409,348	**+19.7**
Owned Containers	International customers	**595,316**	586,613	**+1.5**
Sale-and-leaseback Containers	COSCON	**250,290**	229,283	**+9.2**
Managed Containers	International customers	**552,403**	630,353	**-12.4**
Total		**1,888,200**	1,855,597	**+1.8**

As at 31 December	**Leasing Customers**	**2013 % of total**	2012 % of total	**Change (pp)**
Owned Containers	COSCON	**26.0**	22.1	**+3.9**
Owned Containers	International customers	**31.5**	31.6	**-0.1**
Sale-and-leaseback Containers	COSCON	**13.2**	12.3	**+0.9**
Managed Containers	International customers	**29.3**	34.0	**-4.7**
Total		**100.0**	100.0	**-**

The Group's business investment strategy is to expand its container fleet while balancing the development of fleets of owned containers, sale-and-leaseback containers and managed containers in order to lower investment risk as well as achieve overall business stability. The Group's owned container fleet reached 1,085,507 TEU (2012: 995,961 TEU), which represented 57.5% (2012: 53.7%) of the total container fleet. The sale-and-leaseback container fleet size and the managed container fleet size amounted to 802,693 TEU (2012: 859,636 TEU), which represented 42.5% (2012: 46.3%) of the total fleet size.

The Group's customers are global container shipping lines and COSCON is one of the major customers. Classified by customer, COSCON leased 740,481 TEU (2012: 638,631 TEU), while international customers took up 1,147,719 TEU (2012: 1,216,966 TEU), which represented 39.2% (2012: 34.4%) and 60.8% (2012: 65.6%) of the total fleet size respectively.

CORPORATE GOVERNANCE

The Company continues to maintain high standards of corporate governance so as to promote transparency and ensure better protection of shareholders' interest as a whole. The Company has fully complied with the code provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules'') throughout the year ended 31 December 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 consolidated financial statements for the year ended 31 December 2013.

Remuneration Committee

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

Nomination Committee

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

Other Board Committees

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the Company's code of conduct and rules governing dealings by all directors in the securities of the Company. Having made specific enquiry of all directors of the Company, they all confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2013.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed shares during the year.

OVERALL MANAGEMENT AND AWARDS

COSCO Pacific's efforts in the fields of corporate governance and investor relations have been widely acclaimed externally and in 2013, our high level of corporate transparency and good corporate governance continued to earn market recognition.

- "Titanium Award for Financial Performance, Environmental Responsibility and Investor Relations" by The Asset magazine;
- "Corporate Governance Asia Recognition Award" for the seventh consecutive year and "1st Asian Company Secretary of the Year Recognition Award" by Corporate Governance Asia magazine; in early 2014, the Group was awarded "Best Investor Relations Company" for the third consecutive year and Charlotte So, Investor Relations Department Manager, won "Best Investor Relations Professional" in the "4th Asian Excellence Recognition Awards 2014" by the magazine;
- "Outstanding China Enterprise Award" by Capital magazine for the second consecutive year;
- "Shipping In-House Team of the Year Award" by Asian Legal Business, a well recognised professional magazine;
- "Hong Kong Outstanding Enterprise" by Economist Digest magazine for the ninth consecutive year; and
- "Best Investment Value Award for listed companies" which was jointly organised by Financial PR Group, Cre8 (Greater China), TodayIR Group and Moment magazine.

INVESTOR RELATIONS

The Group pays high attention to its investor relations. Management of the Company introduces the Group's operation, management, development strategy and prospect to its corporate stakeholders through activities such as press conferences, road shows and individual meetings. During the year, the Company met with a total of 449 investors and related personnel, 59% of which were fund managers, 22% of which were analysts, 3% of which were investment bankers and 16% were media representatives. Besides, the Company conducted four road shows and attended nine investor forums as well as organised four visits to its terminals for investors.

CORPORATE SUSTAINABLE DEVELOPMENT

Environmental Protection

COSCO Pacific enacts measures and policies to protect and improve the environment. Environmental protection is taken into account during 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 operations on the environment.

The Group encourages its subsidiary terminals to give preference to equipment with energy-saving technologies when purchasing new equipment. The Group also promotes measures and technologies for energy conservation and carbon emission reduction through technology sharing among its terminals. The Group encourages and supports terminal companies in which the Group has controlling stakes to make investments in the renovation of rubber tired gantries ("RTGs") by substituting fuel-powered equipment with electrical equipment, with the aim of reducing emissions and decreasing power consumption. As at the end of 2013, the Group had completed the substitution of fuel-powered equipment by electrical equipment for a total of 126 RTGs, thereby reducing average annual carbon emissions by an equivalent of approximately 10,000 tons of standard coal. The Group has developed high-power LED lighting for terminals and equipment. Following its complete installation, this lighting will reduce the power consumption of lighting for terminals and equipment by approximately two thirds. The fully-intelligent, zero-emission model project undertaken at Xiamen Ocean Gate Terminal has begun preparation for full operation. The Group will keep driving the optimisation of other terminal equipment and systems to enhance energy conservation and reduce emissions even further.

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 care for and assist in the affairs of local communities by various means. Our employees in mainland China took an active part in donation activities held by the COSCO Charity Foundation. These included “Care for Ya’an”, which raised funds for those affected in the quake-stricken area in Sichuan, China in April 2013, and “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 and Piraeus Terminal in Greece hold activities to enhance interaction with local communities and make donations to local schools and social service organisations, contributing to the development of harmonious communities.

Employee-Oriented Philosophy

As at 31 December 2013, COSCO Pacific had a total of 3,344 employees.

COSCO Pacific regards 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 by providing training of various kinds and organising a number of activities including the “Pacific Library”. The Group promotes the integration of different cultures, in an effort to create a harmonious working environment which continuously enhances the overall quality and cohesion of staff. In 2013, the Company held two sessions of “COSCO Pacific Terminals - Senior Management Training” at Qingdao Ocean Shipping Mariners College, which were attended by 60 senior managers.

In order to maintain 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. In response to the continuous hot summer weather that affected many areas of China in 2013, the Group’s subsidiary terminals adopted preventative measures tailored to local conditions to ensure the health and safety of employees.

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 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 a corporate video, “Win”, on its website. The Group has enriched the content 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 of “harmonious development and win-win global cooperation”, and COSCO’s operating philosophy of being a “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 through co-operation, achieve excellence with

professionalism and create harmony through open-mindedness.

A good corporate culture is the favourable soil that fosters the growth of an enterprise. The Group's Piraeus Terminal in Greece has achieved outstanding results through an integrated corporate culture and Chinese-style management. In consequence, the terminal has been recognised as an "Outstanding Cultural Brand of COSCO" by COSCO. Internationally renowned media including the New York Times, Deutsche Welle, Hong Kong's Mingpao newspaper and the People's Daily Overseas Edition have also published or reproduced exclusive interviews with Piraeus Terminal, adding to the Company's reputation.

PROSPECTS

Looking ahead, the economic recovery in Europe and the United States is expected to gather momentum, which is the key driver for accelerating growth in the global economy in 2014. China GDP growth is expected to remain stable at 7.5% and will play an important role in supporting global economic growth. The IMF forecasts that world GDP growth will increase 0.7 percentage point to 3.7%.

As their economic recovery gathers momentum, developed countries will tighten monetary policy. This tightening of liquidity will, however, bring challenges to emerging markets that may affect the global economic growth. Facing these uncertainties, the capital market remains cautiously optimistic regarding the economic outlooks for Europe and the United States.

As a global leader in the container terminal and container leasing industries, the Group is thus well positioned to benefit from the economic recovery in Europe and the United States. Going forward, the Group will proactively facilitate development projects at its terminals and container leasing businesses. We will also adjust the timing and scope of our investments in response to changes in market conditions.

Regarding the terminals business development, the Group recently took the opportunity to acquire 40% equity interest in Asia Container Terminals Limited for a total consideration of HK$1,648,000,000 (equivalent to approximately US$212,335,000) in March 2014. The terminal is located at Terminal 8 west at Kwai Chung in Hong Kong, adjacent to Terminal 8 east, which is being operated by the Group in the form of COSCO-HIT Terminal. This acquisition will increase the Group's market share in Hong Kong. Both terminals will enjoy enhanced operating flexibility and efficiency. The acquisition also creates a synergy that will be a key factor in attracting mega container vessels to call and thus is expected to enhance both terminals' business growth and profitability.

Looking at container leasing business development, according to Drewry, the global container shipping fleet is expected to expand 5.8% to 18,286,000 TEU in 2014, which will trigger demand for new containers and container leasing services. The price of new containers has seen an improvement in early 2014. However, the rental yield remains low and we expect yields on new container leasing to remain under pressure in 2014. Meanwhile, second-hand container price is at lower level, resulting in lower gains on disposal of returned containers. In planning the purchase of new containers in 2014, we will therefore continue to take a prudent approach designed to align with market demand.

In 2013, COSCO Pacific set a clear direction for business development to focus on the terminals and container leasing businesses. We are facing opportunities and challenges ahead in 2014. The management team will fully apply its efforts to align planning and execution in relation to the Company's corporate strategy. We firmly believe that it is crucially important to enhance our core competence because it will be a key factor to achieving sustainable business growth.

Looking ahead, against a backdrop of modest global economic growth, we see opportunities to develop our terminals and container leasing businesses. The Group will monitor closely changes in market conditions so as to seize business growth opportunities. We are moving forward solidly towards our long-term objective of achieving a higher return for our shareholders by building a robust and sustainable business platform.

MEMBERS OF THE BOARD

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

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

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

Hong Kong, 25 March 2014