Press Release **24 March 2015**

COSCO Pacific Limited

(Incorporated in Bermuda with Limited Liability)
(stock code: 1199)

2014 Final Results

Results Highlights

The Group's revenue rose by 8.9% to US$870,091,000 (2013: US$798,626,000).
Revenue from the terminals business rose by 13.6% to US$516,993,000 (2013: US$455,071,000), 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 2.7% to US$357,075,000 (2013: US$347,747,000). During the year, the fleet size of owned containers and sale-and-leaseback containers and the number of returned containers disposed of increased by 2.6% and 42.4% respectively. However, due to lower lease rates and resale prices of returned containers, the revenue growth was slower than the growth in the number of containers.
The Group's gross profit rose by 1.8% to US$323,857,000 (2013: US$318,169,000). Gross profit margin dropped by 2.6 percentage points to 37.2% (2013: 39.8%).
The terminals business achieved satisfactory growth in gross profit, mainly supported by improving operations of Xiamen Ocean Gate Terminal. In addition, stable growth in operations was recorded at Guangzhou South China Oceangate Terminal and Piraeus Terminal, driving up the gross profit of the terminals business.
Gross profit from the container leasing, management and sale businesses decreased. Although demand for leasing increased, the leasing rates remained at low level in the competitive container leasing market and some container leases with higher leasing rates fell due, resulting in a lower gross profit for container leasing. Meanwhile, the resale prices of returned containers remained under pressure, whereas the average carrying amount of returned containers disposed of increased year-on-year. This led to a significant drop in both the gross profit and the gross profit margin on the disposal of returned containers.
Excluding the discontinued operation[Note], profit attributable to equity holders of the Company increased by 2.3% to US$292,759,000 (2013: US$286,206,000).
The terminals business saw a sustainable growth in container throughput. Total throughput increased by 9.9% to 67,326,122 TEU (2013: 61,284,891 TEU). Equity throughput increased 10.8% to 19,047,214 TEU (2013: 17,196,297 TEU). Profit rose by 18.3% to US$220,978,000 (2013: US$186,767,000).
Profit from the container leasing, management and sale businesses dropped by 23.6% to US$95,757,000 (2013: US$125,259,000). The container fleet size increased by 1.0% to 1,907,778 TEU (2013: 1,888,200 TEU), with an overall average utilisation rate of 95.3% (2013: 94.5%). Although the overall average utilisation rate in 2014 increased, lease rates remained low throughout the year and profit margin from the disposal of returned containers dropped, resulting in lower overall profit from the business.
The proposed final dividend is HK15.4 cents per share (2013: HK15.0 cents), and the dividend will be payable in cash and with a scrip dividend alternative. The full-year dividend amounted to HK31.0 cents (2013: HK77.4 cents) representing a payout ratio of 40.0% (2013: 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. The Group's share of profit from CIMC included the profit for the year 2013 of US$23,059,000.

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 2014.

Dividend Distribution

The Board has recommended the distribution of final dividend at HK15.4 cents per share, and the dividend will be payable in cash and with a scrip dividend alternative. In addition to the interim dividend of HK15.6 cents per share paid on 27 October 2014, the full-year dividend was HK 31.0 cents, representing a payout ratio of 40.0%.

Operational Review

Terminals

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

Hindered by the slow recovery of the global economy, China's foreign trade has entered a period of more modest growth. In 2014, the growth in China's exports slowed down markedly to 4.9% (2013: +7.9%). Meanwhile, affected by the relatively slow growth of the domestic economy, China's imports fell by 0.6% (2013: +7.3%). Throughput at Chinese ports was stable in 2014. According to the China Ports and Harbours Association, container throughput at Chinese ports recorded year-on-year growth of about 6.1% in 2014 (2013: +6.7%). Thanks to increased global container traffic, the container throughput growth of major Chinese ports accelerated as compared to 2013.

Optimisation of operational benefits from sustainable throughput growth

In 2014, container throughput at the Group's terminals saw sustained growth. Equity throughput rose by 10.8% to 19,047,214 TEU (2013: 17,196,297 TEU). Profit from the terminals business rose by 18.3% to US$220,978,000 (2013: US$186,767,000) thanks to the optimisation of terminal operations.

Overseas terminals performed satisfactorily during the year. Growth in profit was seen at all four overseas terminal companies, principally thanks to increased throughput. The business of Piraeus Terminal in Greece thrived and its profit rose 25.7% to US$28,980,000 (2013: US$23,051,000).

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

Growth in profits was also seen at the vast majority of the Group's terminal companies in China. Among these, the performance of Qingdao Qianwan Terminal was the most marked. Thanks to the increased number of containers and growth in average revenue per TEU, profit from the terminal rose 32.2% to US$39,034,000 (2013: US$29,521,000). Profits at Shanghai Pudong Terminal and COSCO-HIT Terminals (Hong Kong) Limited ("COSCO-HIT Terminal") rose by 5.1% to US$20,689,000 (2013: US$19,686,000) and by 1.8% to US$16,487,000 (2013: US$16,203,000) respectively, while profits at Ningbo Yuan Dong Terminal and Guangzhou South China Oceangate Terminal rose by 5.6% to US$10,523,000 (2013: US$9,965,000) and by 8.0% to US$8,948,000 (2013: US$8,282,000) respectively.

Throughput growth exceeded expectation

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

The total throughput of the Group reached 67,326,122 TEU (2013: 61,284,891 TEU), up 9.9%, surpassing the mid-single-digit growth target set at the beginning of the year by management. This sustained growth is principally attributable to the growth in throughput at Yantian Terminals, Qingdao Qianwan Terminal and the overseas terminals, all of which exceeded expectations, along with the additional throughput brought by the newly acquired Asia Container Terminal. The equity throughput of the Group increased by 10.8% to 19,047,214 TEU (2013: 17,196,297 TEU), with its growth rate rising by 0.8 percentage points.

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

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

The throughput of the Yangtze River Delta region rose 4.1% to 9,902,712 TEU (2013: 9,513,006 TEU), accounting for 14.7% of the Group's total throughput. Thanks to the increases in shipping routes, shipping companies' additional services as well as the number of cargoes from transshipment, the throughput of Shanghai Pudong Terminal rose 5.7% to 2,373,620 TEU (2013: 2,246,026 TEU) during the year. Ningbo Yuan Dong Terminal enjoyed an expansion of shipping routes and organic volume growth in operational routes. Together with an increased volume of cargoes from vessel-to-vessel operations brought about by the success of marketing strategies and newly launched empty container transshipment management services for shipping companies, these developments saw the throughput of Ningbo Yuan Dong Terminal rise 14.5% to 3,214,703 TEU (2013: 2,806,406 TEU).

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

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

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

Annual handling capacity increased 4.8% to 65,750,000 TEU

As of 31 December 2014, there were 108 berths (2013: 104 berths) under the Group's operating container terminals and the design total annual handling capacity was 65,750,000 TEU (2013: 62,750,000 TEU). There were 13 bulk berths (2013: 11 berths) in operation, with a total annual handling capacity of 46,050,000 tons (2013: 17,050,000 tons). Newly-added handling capacity during the year included the two berths of Asia Container Terminal (1,600,000 TEU), two berths of Kao Ming Terminal (1,400,000 TEU) and two berths of Dongjiakou Ore Terminal (29,000,000 tons).

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

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

In respect of the expansion of terminals in operation, a significant development was that the amendment agreement of the concession agreement signed by Piraeus Terminal and Piraeus Port Authority S.A. became effective on 20 December 2014 after ratification by the Hellenic Parliament. Piraeus Terminal will enhance the operational capacity of Pier 2 and build the Western Part of Pier 3, involving a total investment of approximately Euro230,000,000. A further 2,500,000 TEU, of which 1,900,000 TEU is from the Western Part of Pier 3, will thereby be added to the annual handling capacity of Piraeus Terminal. Piraeus Terminal held the inauguration ceremony for the construction of the Western Part of Pier 3 on 21 January 2015, with construction and installation of mechanical equipment expected to be completed by 2021, bringing the terminal's annual handling capacity to 6,200,000 TEU.

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

Container Leasing, Management and Sale

The increase in demand for containers accelerated during 2014, especially in the second half of the year, which is the traditional industrial peak season. The rebound in demand for new containers continued, while a higher utilisation rate was recorded during the period. However, the leasing rates and the price of new containers remained at low level because of excessive market supply, intense competition in the industry and the expiration of some containers that were leased at higher rates. These factors pressured the container leasing industry's gross margin.

During the year, both the number of the Group's containers on hire and the disposal of returned containers recorded growth, leading to an increase in overall revenue. Despite some growth in market demand, competition in the container leasing market was fierce, curbing container leasing rates and resale prices. In addition, the average carrying value of returned containers disposal of was higher than that in 2013. As a result, profit from container leasing, management and sale businesses dropped 23.6% to US$95,757,000 (2013: US$125,259,000).

Long-term leases accounted for 96.2% (2013: 95.5%) of the Group's total revenue from container leasing in 2014, while revenue from master leases accounted for 3.8% (2013: 4.5%). With a strategic focus on long-term leasing, the Group enjoys a stable income growth. The overall average utilisation rate of the Group's containers remained stable during the year, at 95.3% (2013: 94.5%), higher than the industry average of approximately 94.0% (2013: approximately 93.9%).

In 2014, revenue from the Group's container leasing, management and sale businesses reached US$357,075,000 (2013: US$347,747,000), representing an increase of 2.7%. The growth was mainly attributable to the increase in revenue from container leasing and the disposal of returned containers. Revenue from container leasing was US$295,774,000 (2013: US$290,883,000), an increase of 1.7% and accounted for 82.8% (2013: 83.6%) of the total revenue of the container leasing, management and sale businesses. The fleet size of owned containers and sale-and-leaseback containers grew 2.6% to 1,370,324 TEU (2013: 1,335,797 TEU). Although the Group's overall average utilisation rate increased, the market leasing rates were relatively low, curbing revenue growth.

Revenue from the disposal of returned containers increased by 11.2% to US$47,773,000 (2013: US$42,967,000), accounting for 13.4% (2013: 12.4%) of the total revenue of the container leasing, management and sale businesses. Revenue from the disposal of returned containers recorded year-on-year growth as a result of a larger number of disposed returned containers, although resale prices were lower. The number of disposed returned containers surged 42.4% to 50,860 TEU (2013: 35,714 TEU).

The fleet size of managed containers was down 2.7% in 2014 to 537,454 TEU (2013: 552,403 TEU). As a result, revenue from managed containers decreased by 13.8% to US$6,377,000 (2013: US$7,398,000), accounting for 1.8% (2013: 2.1%) of the total revenue of the container leasing, management and sale businesses.

As of 31 December 2014, the Group's container fleet had reached 1,907,778 TEU (2013: 1,888,200 TEU), up 1.0%. COSCO Pacific was one of the world's five largest container leasing companies with a market share of approximately 11.0% (2013: approximately 11.3%). The average age of containers in the fleet was 6.5 years (2013: 6.35 years).

Overall Management and Awards

COSCO Pacific's efforts in the fields of corporate governance and investor relations have been widely acclaimed externally and in 2014, our high level of corporate transparency and good corporate governance continued to earn market recognition.

- Won "Special Mention in the H-share Companies and Other Mainland Enterprises Category" in the "2014 Best Corporate Governance Disclosure Awards" by Hong Kong Institute of Certified Public Accountants.
- "Gold Award for Financial Performance, Corporate Governance, Environmental Responsibility and Investor Relations" by The Asset magazine;
- "Corporate Governance Asia Recognition Award" for the eighth consecutive year and "Best Investor Relations Company" for the third consecutive year by Corporate Governance Asia magazine; we also won "Asian Company Secretary of the Year Recognition Award" by the magazine for the second consecutive year;
- "Outstanding China Enterprise Award" by Capital magazine for the third consecutive year;
- "Shipping In-House Team of the Year Award" by Asian Legal Business, a well recognised professional magazine, for the second consecutive year;
- "Hong Kong Outstanding Enterprise" by Economist Digest magazine for the tenth consecutive year; and
- The 2013 Annual Report was recognised with "Bronze in the Cover Design" in shipping services category at 2014 ARC Awards.

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 325 investors and related personnel, 64% of which were fund managers, 19% of which were analysts, 4% of which were investment bankers and 13% were media representatives. Besides, the Company conducted four road shows and attended ten investor forums as well as organised one visit to its terminals for investors.

Prospects

According to a forecast by the IMF, the world's GDP growth will increase 3.5% in 2015, slightly improved from 3.3% in 2014. China, the United States and Europe will exert the most significant influence on the global economy. As the European Central Bank announced quantitative easing in January 2015, which is expected to stimulate local economy. On the other hand, while China is implementing a reform in its economic structure, the country's economy is stepping into a "new normal" with mid-to-high single digit growth.

On the other hand, according to Drewry's forecast, global shipping capacity will increase 7.2% in 2015, higher than the estimated 5.3% growth in demand, representing a surplus of capacity in the shipping industry. Nevertheless, with declining bunker costs, container shipping profitability is expected to improve because of lower operating costs, and this will support the bargaining power of terminal industry and a sustainable rebound in the demand for container leasing services.

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

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

In 2015, intense competition is expected to remain a feature of the container leasing industry. Although the demand for new containers has rebounded, leasing rates and container resale prices remain at low levels. Moreover, the strong US dollar is dragging down the prices of steel and other commodities, which constitutes further pressure on containers resale prices. We expect 2015 will still be a challenging year for the Group's container leasing business, and a sluggish recovery is anticipated.

The Group will continue to pursue its prudent investment strategy and business development model, adjust its plans to purchase new containers promptly and flexibly, and seek the balanced development of its container fleets, thus rigorously managing operational risk. Meanwhile, the Group will maintain its marketing focus on long-term leasing to minimise cyclical risks, with a view to ensuring a stable income stream.

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2014 final results announcement is available on the Company's website (http://www.coscopac.com.hk) and the designated website of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk). For further inquiry, please contact:

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