Press Release **26 August 2014**

COSCO Pacific Limited

中遠太平洋有限公司

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

2014 Interim Results

Results Highlights

The Group's revenue rose by 11.4% to US$440,158,000 (corresponding period of 2013: US$395,195,000). Revenue from the terminals business rose by 18.9% to US$258,082,000 (corresponding period of 2013: US$217,066,000). Revenue from the container leasing, management and sale businesses rose slightly by 2.1% to US$184,107,000 (corresponding period of 2013: US$180,234,000).

Gross profit fell by 2.9% to US$167,970,000 (corresponding period of 2013: US$172,978,000). Gross profit from the terminals business grew during the period. However, rental yield from the container leasing business remained low during the first half of 2014. Moreover, as the sale prices for old containers were still under pressure and the disposed returned containers had a higher carrying value, the overall gross profit from the container leasing, management and sale businesses declined. The Group's gross profit margin fell by 5.6 percentage points to 38.2% (corresponding period of 2013: 43.8%).

Excluding the discontinued operation during the corresponding period in 2013[Note], profit attributable to equity holders of the Company rose by 2.1% to US$146,786,000 (corresponding period of 2013: US$143,822,000).

Profit from the terminals business increased by 17.5% to US$109,085,000 (corresponding period of 2013: US$92,830,000), primarily driven by the growth in container throughput. Equity throughput climbed 13.2% to 9,285,396 TEU (corresponding period of 2013: 8,201,200 TEU). Total throughput increased by 10.1% to 32,481,568 TEU (corresponding period of 2013: 29,494,353 TEU).

Profit from the container leasing, management and sale businesses fell by 30.2% to US$53,289,000 (corresponding period of 2013: US$76,291,000). The overall average utilisation rate remained steady at 94.8% (corresponding period of 2013: 94.5%). The fleet size of containers increased by 3.3% to 1,936,263 TEU (30 June 2013: 1,874,826 TEU).

An interim dividend of HK15.6 cents (corresponding period of 2013: an interim dividend of HK18.6 cents and a special interim dividend of HK43.8 cents) per share. The dividend will be paid in cash and with a scrip dividend alternative, with a payout ratio of 40.0% (corresponding period of 2013: 40.0%)

Note: Profits from the discontinued operation in the corresponding period of 2013 included a net gain of US$393,411,000 on the disposal of the 21.8% equity interest in China International Marine Containers (Group) Co., Ltd. ("CIMC") and the share of profit from CIMC of US$23,059,000 for the first half of 2013.

The board of directors (the "Board") of COSCO Pacific Limited (the "Company" or "COSCO Pacific") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2014.

Operational Review

According to the April 2014 report from International Monetary Fund (IMF), global economic activities gathered momentum in the second half of 2013 but economic growth slowed moderately in the first half of 2014. The economic growth was driven mostly by developed economies, which outshone emerging economies. China's economy and trade remained affected by the slow economic recovery in peripheral economies and the weakening domestic demand. During the first half of 2014, the year-on-year growth rates of Chinese imports and exports slipped further to 1.5% and 0.9% respectively (corresponding period of 2013: 5.3% and 4.5%). The slowing trade growth was also reflected in container throughput at Chinese ports. Statistics from the Ministry of Transport revealed that container throughput at Chinese ports grew at a slower pace of 5.7% in the first half of 2014 compared with 8.3% for the corresponding period of 2013, a 2.6 percentage points fall year on year.

Despite intense competition, the Group has been focused on stepping up marketing efforts, expanding its customer base, improving customer service, and enhancing its core competencies. During the reporting period, the Group's container throughput rose considerably, contributing to the growth of profit from its terminals business. However, the weak demand for container leasing services coupled with the fall in profit margin from disposal of returned containers had dragged down its profits from its businesses of container leasing, management and sale.

Terminals

Profit from the Group's terminals business rose by 17.5% to US$109,085,000 (corresponding period of 2013: US$92,830,000), primarily driven by the robust growth in container throughput. Equity throughput climbed 13.2% to 9,285,396 TEU (corresponding period of 2013: 8,201,200 TEU).

During the period, Qingdao Qianwan Terminal reported an increase in container volume and revenue, bringing in a profit contribution of US$21,616,000, up 50.5% (corresponding period of 2013: US$14,362,000). Benefiting from the strong growth in container throughput, the profits of the Piraeus Terminal and Shanghai Pudong Terminal increased by 21.9% to US$15,073,000 (corresponding period of 2013: US$12,369,000) and 30.6% to US$10,946,000 (corresponding period of 2013: US$8,381,000) respectively. In addition, the Group completed the acquisition of a 39.04% equity interest in Taicang Terminal in July 2013, generating a profit of US$1,978,000 attributable to the Group during the period. Thanks to the success of market strategies, such as expansion of new shipping routes during the second half of 2013, and increase in volume of transshipment and cargoes from shipping companies' additional shipping services during the first half of 2014, which contributed to an increase in both revenues and throughput, Ningbo Yuan Dong Terminal's profit contribution increased 45.0% to US$5,431,000 (corresponding period of 2013: US$3,746,000). Antwerp Gateway NV in Belgium achieved a turnaround and recorded a profit contribution of US$1,191,000 for the Group (corresponding period of 2013: a loss of US$425,000). In addition, the loss from Xiamen Ocean Gate Terminal narrowed as a result of robust throughput growth and an increase in tariff. Together with Xiamen Tongda Terminal which was acquired in March 2013, the terminal posted a loss of US$2,868,000 (corresponding period of 2013: a loss of US$4,382,000), representing a 34.6% decrease.

During the period, all terminal subsidiaries recorded revenue growth. Revenue from the terminals business increased by 18.9% to US$258,082,000 (corresponding period of 2013: US$217,066,000). Of these terminals, revenues of Piraeus Terminal and Guangzhou South China Oceangate Terminal rose by 24.7% to US$91,459,000 (corresponding period of 2013: US$73,330,000) and 16.4% to US$71,843,000 (corresponding period of 2013: US$61,725,000) respectively. Revenue generated by Xiamen Ocean Gate Terminal and Xiamen Tongda Terminal in aggregate was US$15,936,000 (corresponding period of 2013: US$9,882,000), representing a 61.3% increase.

In the first half of 2014, COSCO Pacific reported strong growth in total container throughput, recording a 10.1% rise to 32,481,568 TEU (corresponding period of 2013: 29,494,353 TEU). The terminal companies in the mainland China handled a total of 26,046,245 TEU (corresponding period of 2013: 24,377,866 TEU), a 6.8% rise over the corresponding period of last year. The Group's equity throughput rose 13.2% to 9,285,396 TEU (corresponding period of 2013: 8,201,200 TEU). In terms of total container throughput in different areas, overseas terminals experienced rapid growth, while the growth of container throughput gained speed at terminals in Yangtze River Delta and Pearl River Delta regions in mainland China.

As of 30 June 2014, the Group was operating 106 container terminals berths (corresponding period of 2013: 102), with an annual handling capacity of 64,350,000 TEU (corresponding period of 2013: 62,200,000 TEU); and was operating 13 bulk cargo berths (corresponding period of 2013: 9) with a total annual handling capacity of 46,050,000 tons (corresponding period of 2013: 13,050,000 tons). Additional annual capacity achieved during the period included two berths at Asia Container Terminals (1,600,000 TEU) and two berths at Dongjiakou Ore Terminal (29,000,000 tons).

On 13 March 2014, the Group acquired a 40% equity interest in Asia Container Terminals at a consideration of HK$1,648,000,000 (approximately US$212,335,000). Asia Container Terminals owns and operates Terminal 8 West, Kwai Chung, Hong Kong, which is adjacent to COSCO-HIT Terminal. The two terminals form a combined 1,380 metres long contiguous berth, thus creating a more competitive platform and providing more efficient services for their customers. Furthermore, this platform is expected to be cost-effective to both terminals and strengthen the profitability of the Group's terminals business. In addition, the Group invested 25% equity interest of Dongjiakou Ore Terminal for US$57,330,000, whose throughput and profit were included into the Group's accounts starting from 1 March 2014.

Regional breakdown of total throughput

	1H 2014 (TEU)	y-o-y change (%)	% of total throughput
Bohai Rim	12,546,426	+4.5	38.6
Yangtze River Delta	4,931,807	+14.1	15.2
Southeast Coast and others	1,809,505	+17.8	5.6
Pearl River Delta	8,622,636	+9.2	26.5
Overseas	4,571,194	+22.6	14.1
Total throughput	**32,481,568**	**+10.1**	**100.0**

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

	1H 2014 (TEU)	y-o-y change (%)	% of total throughput
Bohai Rim	2,445,772	+4.5	26.3
Yangtze River Delta	1,384,674	+11.3	14.9
Southeast Coast and others	991,170	+18.7	10.7
Pearl River Delta	2,198,395	+11.7	23.7
Overseas	2,265,385	+24.9	24.4
Total equity throughput	**9,285,396**	**+13.2**	**100.0**

Container Leasing, Management and Sale

Though the first half of 2014 saw an increase in demand for new containers, the container lease rates did not benefit. The rental yield remained low in the first half of 2014. Old container sale prices were still under pressure, which, coupled with higher net carrying value of disposed returned containers, brought down the profit margin despite an increase in the numbers of leased containers and disposed returned containers. During the period, the profit of the container leasing, management and sale businesses fell by 30.2% to US$53,289,000 (corresponding period of 2013: US$76,291,000).

The container leasing, management and sale businesses of the Group is operated and managed by Florens Container Holdings Limited, a wholly-owned company of the Group, and its subsidiaries. The Group focuses its business strategy on offering long-term container leasing contracts, which has generated a steady revenue stream for the Group. As of 30 June 2014, the Group's container fleet size expanded 3.3% to 1,936,263 TEU (30 June 2013: 1,874,826 TEU), ranking the Group as the world's fourth largest container leasing company. The Group's overall average utilisation rate of containers was steady at 94.8% (corresponding period of 2013: 94.5%), above the industry average of approximately 93.2% (corresponding period of 2013: approximately 94%). Long-term leases accounted for 96.1% (corresponding period of 2013: 95.3%) of the total revenue of the container leasing while revenue from master leases accounted for 3.9% (corresponding period of 2013: 4.7%).

The Group's container leasing, management and sale businesses generated total revenues of US$184,107,000 (corresponding period of 2013: US$180,234,000), representing a rise of 2.1%. The business revenue growth was largely attributed to an increase in revenue from the disposal of returned containers.

During the period, the Group ordered 107,000 TEU (corresponding period of 2013: about 70,000 TEU) of new containers made in 2014, of which 101,000 TEU had been delivered to the Group. In addition, 8,500 TEU of containers ordered in 2013 were delivered. Accordingly, a total of 109,500 TEU of new containers were delivered during the first half of 2014 (corresponding period of 2013: 65,000 TEU). The capital expenditure on the purchase of new containers was US$215,833,000 (corresponding period of 2013: US$126,247,000).

As at 30 June 2014, the owned container fleet reached 1,168,265 TEU (30 June 2013: 1,026,196 TEU), representing 60.4% (30 June 2013: 54.7%) of the total container fleet. The sale-and-leaseback container fleet size amounted to 250,290 TEU (30 June 2013: 250,290 TEU), representing 12.9% (30 June 2013: 13.4%) of the total container fleet size. The managed container fleet size amounted to 517,708 TEU (30 June 2013: 598,340 TEU), representing 26.7% (30 June 2013: 31.9%) of the total fleet size.

Classified by customers, COSCON leased 797,211 TEU (30 June 2013: 691,690 TEU), while international customers took up 1,139,052 TEU (30 June 2013: 1,183,136 TEU), representing 41.2% (30 June 2013: 36.9%) and 58.8% (30 June 2013: 63.1%) of the total fleet size respectively.

Prospects

Looking to the second half of 2014, despite the great downward pressure on the world economy, developed economies will continue to accelerate recovery, which will in turn boost global trade and industrial production. The Group will continue to benefit from the economic recovery in the U.S. and Europe. In terms of the terminals business, the Group reported a robust growth of 10.1% in total throughput during the first half of 2014. In the second half of the year, the Group's container throughput is expected to grow steadily, giving a boost to terminals business profits. In addition, the Group will continue to strive to enhance marketing efforts for Xiamen Ocean Gate Terminal with the aim of shortening the ramp-up period with relatively high costs.

With regard to the container leasing, management and sale businesses, container leasing experienced an increase since the second quarter of 2014 following the peak season of the shipping industry, contributing to an improvement in the utilisation rates of the container leasing industry. It is expected that the demand for containers will increase during the second half of 2014, but the operating environment will remain highly competitive and the rental yield is likely to remain low. Meanwhile, the fall in sale prices and the high carrying value for returned containers will continue to erode the profit margin of the disposal of returned container business. The Group will continue to lower the container inventory on the ground and further increase the utilisation rate. In addition, the Group will also accelerate the sale of returned containers in order to facilitate the inflow of capital for revenue enhancement and cost reduction.

The Group will continue to step up marketing efforts, develop innovative business models, improve its customer service, and enhance its core competencies. Meanwhile, the Group will continue with its long-term strategy of focusing on terminals business and explore and assess opportunities of investing in terminal projects in China and overseas. In addition, the Group will continue to cautiously respond to market demand and implement plans of purchasing new containers in a prudent manner to expand its container leasing business steadily.

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2014 interim 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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