Pacific

COSCO Pacific Limited
中遠太平洋有限公司

INTERIM REPORT 中期報告 2014

CONTENTS

INTERIM RESULTS

The board of directors (the "Board") of COSCO Pacific Limited 中遠太平洋有限公司 (the "Company" or "COSCO Pacific") is pleased to present the interim report, including the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2014. The interim report has been reviewed by the Company's Audit Committee.

The Group's unaudited condensed consolidated interim financial information as set out on pages 2 to 37 has also been reviewed by the Company's independent auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Unaudited Condensed Consolidated Balance Sheet

As at 30 June 2014

	Note	As at 30 June 2014 US$'000	As at 31 December 2013 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**4,251,218**	4,167,794
Investment properties		**25,722**	5,356
Land use rights		**239,244**	244,175
Intangible assets		**8,782**	9,677
Joint ventures		**860,904**	635,554
Loans to joint ventures		**73,767**	4,129
Associates		**846,588**	824,598
Loan to an associate		**33,267**	33,543
Available-for-sale financial asset		**25,000**	27,000
Finance lease receivables		**28,053**	11,944
Deferred income tax assets		**1,852**	1,236
Other non-current assets	7	**110,839**	105,269
		6,505,236	6,070,275
Current assets			
Inventories		**13,872**	18,985
Trade and other receivables	8	**235,379**	224,493
Current income tax recoverable		**1,326**	—
Restricted bank deposits	9	**195**	148
Cash and cash equivalents	9	**929,163**	1,237,403
		1,179,935	1,481,029
Total assets		**7,685,171**	7,551,304
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	10	**37,391**	37,391
Reserves		**4,530,017**	4,452,332
Proposed final dividend		**—**	56,383
Interim dividend declared		**58,712**	—
		4,626,120	4,546,106
Non-controlling interests		**305,182**	297,388
Total equity		**4,931,302**	4,843,494

Unaudited Condensed Consolidated Balance Sheet

As at 30 June 2014

	Note	As at 30 June 2014 US$'000	As at 31 December 2013 US$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**43,558**	34,622
Long term borrowings	11	**1,612,693**	1,770,425
Loan from a non-controlling shareholder of a subsidiary	12	**50,000**	50,000
Other long term liabilities		**24,532**	22,530
		1,730,783	1,877,577
Current liabilities			
Trade and other payables	13	**572,155**	464,739
Current income tax liabilities		**83,964**	89,709
Current portion of long term borrowings	11	**344,213**	259,383
Short term bank loans	11	**22,754**	16,402
		1,023,086	830,233
Total liabilities		**2,753,869**	2,707,810
Total equity and liabilities		**7,685,171**	7,551,304
Net current assets		**156,849**	650,796
Total assets less current liabilities		**6,662,085**	6,721,071

The accompanying notes on pages 8 to 37 are an integral part of these unaudited condensed consolidated interim financial information.

Unaudited Condensed Consolidated Income Statement

For the six months ended 30 June 2014

	Note	Six months ended 30 June 2014 US$'000	2013 US$'000
Continuing operations:			
Revenues		**440,158**	395,195
Cost of sales		**(272,188)**	(222,217)
Gross profit		**167,970**	172,978
Administrative expenses		**(43,246)**	(40,867)
Other operating income		**8,928**	9,765
Other operating expenses		**(13,931)**	(4,909)
Operating profit	14	**119,721**	136,967
Finance income	15	**12,736**	5,311
Finance costs	15	**(35,996)**	(46,212)
Operating profit after finance income and costs		**96,461**	96,066
Share of profits less losses of			
— joint ventures		**50,932**	38,888
— associates		**30,810**	32,821
Profit before income tax from continuing operations		**178,203**	167,775
Income tax expenses	16	**(20,127)**	(15,591)
Profit for the period from continuing operations		**158,076**	152,184
Discontinued operation:			
Net gain on disposal of an associate	17	**–**	393,411
Share of profit of an associate		**–**	23,059
Profit for the period from discontinued operation		**–**	416,470
Profit for the period		**158,076**	568,654
Profit attributable to:			
Equity holders of the Company		**146,786**	560,292
Non-controlling interests		**11,290**	8,362
		158,076	568,654
Earnings per share for profit attributable to equity holders of the Company			
Basic			
— from continuing operations	18	**US5.04 cents**	US5.16 cents
— from discontinued operation	18	**–**	US14.95 cents
		US5.04 cents	US20.11 cents
Diluted			
— from continuing operations	18	**US5.04 cents**	US5.16 cents
— from discontinued operation	18	**–**	US14.95 cents
		US5.04 cents	US20.11 cents

The accompanying notes on pages 8 to 37 are an integral part of these unaudited condensed consolidated interim financial information.

	Note	Six months ended 30 June 2014 US$'000	2013 US$'000
Dividends			
— interim	19	**58,712**	66,758
— special interim	19	**–**	157,366
		58,712	224,124

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014

	Six months ended 30 June 2014 US$'000	2013 US$'000
Profit for the period	**158,076**	568,654
Other comprehensive income		
Item that will not be reclassified subsequently to profit or loss		
Fair value adjustment upon transfer from property, plant and equipment to investment properties	**7,208**	—
Items that may be reclassified to profit or loss		
Exchange differences from retranslation of financial statements of subsidiaries, joint ventures and associates	**(16,833)**	37,733
Fair value loss on an available-for-sale financial asset	**(2,000)**	(4,000)
Release of reserves upon disposal of an associate	**—**	(65,428)
Share of reserves of joint ventures and associates	**(2,260)**	(102)
Other comprehensive loss for the period, net of tax	**(13,885)**	(31,797)
Total comprehensive income for the period	**144,191**	536,857
Total comprehensive income attributable to:		
Equity holders of the Company	**136,397**	522,231
Non-controlling interests	**7,794**	14,626
	144,191	536,857
Total comprehensive income attributable to equity holders of the Company arising from:		
Continuing operations	**136,397**	161,294
Discontinued operation	**—**	360,937
	136,397	522,231

The accompanying notes on pages 8 to 37 are an integral part of these unaudited condensed consolidated interim financial information.

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Capital and reserves attributable to the equity holders of the Company US$'000	Non-controlling interests US$'000	Total US$'000
Total equity at 1 January 2014	**4,546,106**	**297,388**	**4,843,494**
Total comprehensive income for the period	**136,397**	**7,794**	**144,191**
Dividend paid to equity holders of the Company	**(56,383)**	**—**	**(56,383)**
	80,014	**7,794**	**87,808**
Total equity at 30 June 2014	**4,626,120**	**305,182**	**4,931,302**
Total equity at 1 January 2013	3,954,020	263,373	4,217,393
Total comprehensive income for the period	522,231	14,626	536,857
Issue of shares on exercising of share options	215	—	215
Capital contribution from a non-controlling shareholder of a subsidiary	—	11,021	11,021
Dividends paid to			
— equity holders of the Company	(65,866)	—	(65,866)
— a non-controlling shareholder of a subsidiary	—	(2,875)	(2,875)
	456,580	22,772	479,352
Total equity at 30 June 2013	4,410,600	286,145	4,696,745

The accompanying notes on pages 8 to 37 are an integral part of these unaudited condensed consolidated interim financial information.

Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	US$'000	US$'000
Net cash generated from operating activities	**212,423**	198,345
Net cash (used in)/generated from investing activities	**(422,460)**	479,003
Net cash (used in)/generated from financing activities	**(95,309)**	149,327
Net (decrease)/increase in cash and cash equivalents	**(305,346)**	826,675
Cash and cash equivalents at 1 January	**1,237,403**	848,423
Exchange differences	**(2,894)**	3,144
Cash and cash equivalents at 30 June	**929,163**	1,678,242
Analysis of balances of cash and cash equivalents:		
Time deposits	**694,628**	1,473,012
Bank balances and cash	**234,535**	205,230
	929,163	1,678,242

The accompanying notes on pages 8 to 37 are an integral part of these unaudited condensed consolidated interim financial information.

1 General information

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

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

The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2014 (the "Unaudited Condensed Consolidated Interim Financial Information") is presented in United States ("US") dollar, unless otherwise stated and has been approved for issue by the Board on 26 August 2014.

2 Basis of preparation and significant accounting policies

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

The Unaudited Condensed Consolidated Interim Financial Information should be read in conjunction with the Group's annual audited consolidated financial statements for the year ended 31 December 2013 (the "2013 Annual Financial Statements"), which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA.

Adoption of new HKFRSs

The accounting policies and methods of computation used in the preparation of the Unaudited Condensed Consolidated Interim Financial Information are consistent with those used in the 2013 Annual Financial Statements, except that the Group has adopted the following revised standards, interpretation and amendments to existing standards (collectively the "new HKFRSs") issued by the HKICPA which are mandatory for the financial year beginning 1 January 2014:

2 Basis of preparation and significant accounting policies (Continued)

Adoption of new HKFRSs (Continued)

New standards, interpretation and amendments

HKAS 32 Amendment	Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities
HKAS 36 Amendment	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 Amendment	Novation of Derivatives and Continuation of Hedge Accounting
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendment	Investment Entities
HK(IFRIC)-Int 21	Levies

The adoption of the above new HKFRSs in the current period did not have any significant effect on the Unaudited Condensed Consolidated Interim Financial Information or result in any substantial changes in the Group's significant accounting policies.

The HKICPA has issued certain new standards, interpretations, amendments or improvements to existing standards which are not yet effective for the year ending 31 December 2014 and have not been early adopted by the Group. The Group will apply these standards, interpretations, amendments or improvements to existing standards as and when they become effective. The Group has already commenced an assessment of the related impact to the Group and it is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted.

3 Critical accounting estimates and judgements

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

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

(a) Useful lives and residual values of containers

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

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

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

3 Critical accounting estimates and judgements (Continued)

(b) Acquisition of businesses

The initial accounting on the acquisition of businesses involves identifying and determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquired entities or businesses. Any changes in the assumptions used and estimates made in determining the fair values will impact the carrying amount of these assets and liabilities.

(c) Income taxes

Deferred income tax liabilities have not been established for the withholding taxation that would be payable on the undistributed earnings of certain subsidiaries which were under certain jurisdictions as the directors consider that the timing of the reversal of related temporary differences can be controlled (note 16).

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

(d) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market (for example, available-for-sale financial asset) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period.

(e) Fair value of investment properties

The fair value of investment properties is determined by independent valuers on an open market for existing use basis. In making the judgement, consideration has been given to assumptions that are mainly based on market conditions existing at the balance sheet date and appropriate capitalisation rates. Management has critically assessed these estimates and has regularly compared to actual market data and, if applicable actual transactions entered into by the Group.

(f) Impairment of investments in joint ventures and associates, and trade receivables

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

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

4 Financial risk management

4.1 Financial risk factors

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

The Unaudited Condensed Consolidated Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2013 Annual Financial Statements of the Group.

Compared to 31 December 2013, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

4.2 Fair value estimation

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

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

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

	As at 30 June 2014 Level 3 US$'000	As at 31 December 2013 Level 3 US$'000
Available-for-sale financial asset	**25,000**	27,000

For the six months ended 30 June 2014, there were no transfers of financial instruments of the Group between different levels of the fair value hierarchy.

For the six months ended 30 June 2014, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

For the six months ended 30 June 2014, there were no reclassifications of financial assets of the Group.

There were no other changes in valuation techniques during the period.

4 Financial risk management (Continued)

4.3 Fair value measurement using significant unobservable inputs (level 3)

As at 30 June 2014, the fair value of unlisted available-for-sale financial asset is determined by reference to valuation report of an independent professional valuer which is determined using valuation technique (including price/earnings multiple method and direct market quote). A discount rate of 20% is applied to compute the fair value on top of market price/earnings multiples. This available-for-sale financial asset is included in level 3.

The price/earnings multiple is estimated by making reference to the historical operating results of companies with similar business nature and having their operating activities in the PRC. Whereas the discount rate is a common illiquidity rate applied in valuation of unlisted security.

The following table presents the changes in level 3 financial instruments for the six months ended 30 June 2014:

	US$'000
At 1 January 2014	**27,000**
Fair value loss recognised in equity	**(2,000)**
At 30 June 2014	**25,000**

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

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

The fair value of the long term borrowings is as follows:

	As at 30 June 2014 US$'000	As at 31 December 2013 US$'000
Bank loans	**1,314,970**	1,472,720
Notes	**296,354**	295,925
	1,611,324	1,768,645

4 Financial risk management (Continued)

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

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

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

5 Segment information

5.1 Operating segments

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

(i) terminals and related businesses including terminal operations, container handling, transportation and storage; and

(ii) container leasing, management, sale and related businesses.

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

Corporate assets comprise property, plant and equipment, investment properties, intangible 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.

5 Segment information (Continued)

5.1 Operating segments (Continued)

Segment assets

	Terminals and related businesses US$'000	Container leasing, management, sale and related businesses US$'000	Segment total US$'000	Corporate US$'000	Inter-segment elimination US$'000	Total US$'000
At 30 June 2014						
Segment assets	**4,716,211**	**2,222,349**	**6,938,560**	**1,753,786**	**(1,007,175)**	**7,685,171**
Segment assets include:						
Joint ventures	**860,904**	**–**	**860,904**	**–**	**–**	**860,904**
Associates	**846,588**	**–**	**846,588**	**–**	**–**	**846,588**
Available-for-sale financial asset	**25,000**	**–**	**25,000**	**–**	**–**	**25,000**
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:						
Joint ventures	635,554	–	635,554	–	–	635,554
Associates	824,598	–	824,598	–	–	824,598
Available-for-sale financial asset	27,000	–	27,000	–	–	27,000

5 Segment information (Continued)

5.1 Operating segments (Continued)

Segment revenues, results and other information

	Continuing operations					
	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
Six months ended 30 June 2014						
Revenues — total sales	258,082	184,107	442,189	–	(2,031)	440,158
Segment profit/(loss) attributable to equity holders of the Company	109,085	53,289	162,374	(15,588)	–	146,786
Segment profit/(loss) attributable to equity holders of the Company includes:						
Finance income	410	330	740	25,363	(13,367)	12,736
Finance costs	(30,970)	(10,618)	(41,588)	(9,782)	15,374	(35,996)
Share of profits of						
— joint ventures	50,932	–	50,932	–	–	50,932
— associates	30,810	–	30,810	–	–	30,810
Income tax expenses	(8,628)	(1,409)	(10,037)	(10,090)	–	(20,127)
Depreciation and amortisation	(41,188)	(64,146)	(105,334)	(844)	–	(106,178)
Other non-cash expenses	(6)	(234)	(240)	(1)	–	(241)
Additions to non-current assets	(44,149)	(215,854)	(260,003)	(140)	–	(260,143)

5 Segment information (Continued)

5.1 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
Six months ended 30 June 2013							
Revenues – total sales	217,066	180,234	397,300	–	(2,105)	395,195	–
Segment profit/(loss) attributable to equity holders of the Company	92,830	76,291	169,121	(25,299)	–	143,822	416,470
Segment profit/(loss) attributable to equity holders of the Company includes:							
Finance income	422	204	626	8,245	(3,560)	5,311	–
Finance costs	(28,510)	(10,946)	(39,456)	(12,253)	5,497	(46,212)	–
Share of profits less losses of							
– joint ventures	38,888	–	38,888	–	–	38,888	–
– associates	32,821	–	32,821	–	–	32,821	23,059
Net gain on disposal of an associate	–	–	–	–	–	–	393,411
Income tax expenses	(6,428)	(1,737)	(8,165)	(7,426)	–	(15,591)	–
Depreciation and amortisation	(35,331)	(52,646)	(87,977)	(1,196)	–	(89,173)	–
Provision for inventories	–	(18)	(18)	–	–	(18)	–
Other non-cash expenses	(270)	(906)	(1,176)	–	–	(1,176)	–
Additions to non-current assets	(151,906)	(126,609)	(278,515)	(23)	–	(278,538)	–
Additions arising from business combination (note 24)	(85,086)	–	(85,086)	–	–	(85,086)	–

Note:

For the six months ended 30 June 2014, the container leasing, management, sale and related businesses segment revenues included US$82,636,000 (2013: US$77,453,000) container leasing income from COSCO Container Lines Company Limited ("COSCON"), a fellow subsidiary of the Group.

5 Segment information (Continued)

5.2 Geographical information

(a) Revenues

In respect of 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.

	Six months ended 30 June	
	2014	2013
	US$'000	US$'000
Terminals and related businesses		
— Mainland China (excluding Hong Kong)	**165,410**	142,066
— Europe	**91,459**	73,330
— Others	**1,186**	1,652
Unallocated	**182,103**	178,147
	440,158	395,195

(b) Non-current assets

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

5 Segment information (Continued)

5.2 Geographical information (Continued)

(b) Non-current assets (Continued)

Other than container leasing, management, sale and related businesses, the activities of terminals and related businesses of the Group, its joint ventures and associates are predominantly carried out in Hong Kong, Mainland China, Singapore, Belgium, Egypt, Greece and Taiwan.

	As at 30 June 2014 US$'000	As at 31 December 2013 US$'000
Mainland China (excluding Hong Kong)	**3,643,646**	3,538,058
Europe	**411,739**	427,235
Others	**407,267**	256,064
Unallocated	**1,880,645**	1,771,066
	6,343,297	5,992,423

6 Property, plant and equipment

During the six months ended 30 June 2014, the Group acquired property, plant and equipment of US$260,048,000 (2013: US$278,150,000). The Group also disposed of property, plant and equipment with net book value of US$42,751,000 (2013: US$56,961,000) including transfer of property, plant and equipment to inventories with net book value of US$17,976,000 (2013: US$6,197,000).

7 Other non-current assets

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

8 Trade and other receivables

	As at 30 June 2014 US$'000	As at 31 December 2013 US$'000
Trade receivables (note a)		
— third parties	**72,942**	59,138
— fellow subsidiaries (notes b and c)	**34,284**	28,107
— a joint venture (note b)	**22**	—
— non-controlling shareholders of subsidiaries (note b)	**6,765**	4,561
— related companies (note b)	**648**	468
	114,661	92,274
Less: provision for impairment	**(3,594)**	(3,946)
	111,067	88,328
Other receivables, deposits and prepayments	**46,857**	53,936
Rent receivable collected on behalf of owners of managed containers (note d)	**21,826**	22,685
Current portion of finance lease receivables	**5,341**	1,983
Loans to joint ventures (note e)	**22,748**	22,485
Amounts due from		
— fellow subsidiaries (note b)	**302**	525
— joint ventures (note f)	**21,801**	28,186
— associates (note f)	**3,496**	4,430
— a non-controlling shareholder of a subsidiary (note b)	**1,941**	1,935
	235,379	224,493

Notes:

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

	As at 30 June 2014 US$'000	As at 31 December 2013 US$'000
Within 30 days	**58,540**	50,333
31-60 days	**37,215**	31,037
61-90 days	**11,864**	5,408
Over 90 days	**3,448**	1,550
	111,067	88,328

(b) The amounts due from fellow subsidiaries, a joint venture, non-controlling shareholders of subsidiaries and related companies are unsecured and interest free. Trading balances have credit periods ranging from 30 to 90 days while other balances have no fixed terms of repayment.

8 Trade and other receivables (Continued)

(c) The balance mainly represented container leasing income receivable from fellow subsidiaries and included a receivable balance from COSCON, of US$28,313,000 (31 December 2013: US$24,681,000). During the six months ended 30 June 2014, the container leasing income from COSCON and the other fellow subsidiaries amounted to US$82,636,000 (2013: US$77,453,000) and US$80,000 (2013: US$9,000) respectively.

(d) The balance represented the unsettled billings to be collected by the Group in respect of the leases of those containers managed on behalf of third parties.

(e) As at 30 June 2014, balance of US$21,383,000 (31 December 2013: US$21,109,000) is unsecured, interest free, and wholly repayable within twelve months. Balance of US$1,365,000 (31 December 2013: US$1,376,000) is secured, bears interest at 5% per annum above Europe Interbank Offered Rate ("EURIBOR") and repayable within twelve months.

(f) The amounts receivable mainly represented dividend and interest receivable from joint ventures and associates.

9 Cash and cash equivalents

	As at 30 June 2014 US$'000	As at 31 December 2013 US$'000
Total time deposits, bank balances and cash (note)	**929,358**	1,237,551
Restricted bank deposits included in current assets	**(195)**	(148)
	929,163	1,237,403
Representing:		
Time deposits	**694,628**	1,017,071
Bank balances and cash	**234,535**	220,332
	929,163	1,237,403

Note:

As at 30 June 2014, cash and cash equivalents of US$326,524,000 (31 December 2013: US$540,143,000) of the Group denominated in Renminbi and US dollar were held by certain subsidiaries of the Group with bank accounts operating in the PRC where exchange controls apply.

10 Share capital

	As at 30 June 2014 US$'000	As at 31 December 2013 US$'000
Authorised:		
4,000,000,000 (31 December 2013: 4,000,000,000) ordinary shares of HK$0.10 each	**51,282**	51,282
Issued and fully paid:		
2,912,325,528 (31 December 2013: 2,912,325,528) ordinary shares of HK$0.10 each	**37,391**	37,391

Note:

Share options

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

		Number of share options				
Category	**Exercise price** HK$	**Outstanding as at 1 January 2014**	**Exercised during the period**	**Transfer (to)/from other categories during the period**	**Lapsed during the period**	**Outstanding as at 30 June 2014**
Directors	13.75	1,000,000	–	–	–	1,000,000
	19.30	500,000	–	–	–	500,000
Continuous contract employees	13.75	10,806,000	–	(16,000)	(120,000)	10,670,000
	19.30	12,030,000	–	(70,000)	(80,000)	11,880,000
Others	13.75	1,650,000	–	16,000	–	1,666,000
	19.30	860,000	–	70,000	–	930,000
		26,846,000	–	–	(200,000)	26,646,000

11 Borrowings

	As at 30 June 2014 US$'000	As at 31 December 2013 US$'000
Long term borrowings		
— secured (note a)	273,011	275,277
— unsecured	1,683,895	1,754,531
	1,956,906	2,029,808
Amounts due within one year included under current liabilities	(344,213)	(259,383)
	1,612,693	1,770,425
Short term bank loans — unsecured	22,754	16,402

Notes:

(a) As at 30 June 2014, a bank loan of US$273,011,000 (31 December 2013: US$275,277,000) granted to a subsidiary of the Company was secured by certain other property, plant and equipment of the Group with an aggregate net book value of US$63,562,000 (31 December 2013: US$65,473,000) and the Company's interest in the subsidiary. Under the circumstances that the terms and conditions as included in the loan agreement were not met, bank balances of US$27,423,000 (31 December 2013: US$38,367,000) would be pledged as security. As at 30 June 2014 and 31 December 2013, there were no violation of the terms and conditions of this loan and thus such bank balances were not pledged.

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

	As at 30 June 2014 US$'000	As at 31 December 2013 US$'000
Wholly repayable within five years		
— bank loans	1,282,230	1,307,418
Not wholly repayable within five years		
— bank loans	378,102	426,108
— notes	296,574	296,282
	674,676	722,390
	1,956,906	2,029,808

11 Borrowings (Continued)

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

	As at 30 June 2014 US$'000	As at 31 December 2013 US$'000
Bank loans		
Within one year	**344,213**	259,383
Between one and two years	**277,486**	567,710
Between two and five years	**704,289**	521,111
Over five years	**334,344**	385,322
	1,660,332	1,733,526
Notes		
Over five years	**296,574**	296,282
	1,956,906	2,029,808

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 notes carried a fixed interest yield of 4.46% per annum and were issued at a price of 99.320 per cent of their principal amount with a fixed coupon rate of 4.375% per annum, resulting in a discount on issue of US$2,040,000. The notes bear interest from 31 January 2013, payable semi-annually in arrear on 31 January and 31 July of each year, commencing on 31 July 2013. The notes are guaranteed unconditionally and irrevocably by the Company and listed on the Stock Exchange. Unless previously redeemed or repurchased by the Company, the notes will mature on 31 January 2023 at their principal amount. The notes are subject to redemption in whole, at their principal amount, together with accrued interest, at the option of the Company at any time in the event of certain changes affecting the taxes of certain jurisdictions.

12 Loan from a non-controlling shareholder of a subsidiary

Balance is unsecured, interest-free and not repayable within next twelve months. The carrying value of the loan is not materially different from its fair value.

13 Trade and other payables

	As at 30 June 2014 US$'000	As at 31 December 2013 US$'000
Trade payables (note a)		
— third parties	60,065	51,561
— fellow subsidiaries (note b)	199	213
— non-controlling shareholders of subsidiaries (note b)	8,572	5,595
— related companies (notes b and c)	65,742	23,614
	134,578	80,983
Other payables and accruals	148,286	159,648
Payable to owners of managed containers (note d)	25,128	26,241
Current portion of other long term liabilities	932	934
Dividend payable	56,422	39
Loan from a joint venture (note e)	31,693	24,603
Loans from non-controlling shareholders of subsidiaries (note f)	155,391	156,285
Amounts due to (note b)		
— fellow subsidiaries	57	192
— non-controlling shareholders of subsidiaries	19,429	15,419
— joint ventures	230	390
— related companies	9	5
	572,155	464,739

Notes:

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

	As at 30 June 2014 US$'000	As at 31 December 2013 US$'000
Within 30 days	43,921	36,945
31-60 days	22,161	24,155
61-90 days	49,537	2,373
Over 90 days	18,959	17,510
	134,578	80,983

(b) The balances are unsecured and interest free. Trading balances have similar credit periods granted as those of other third party suppliers, the remaining balances have no fixed terms of repayment.

(c) As at 30 June 2014, the balances represented the amounts payable to subsidiaries of China International Marine Containers (Group) Co., Ltd. ("CIMC") in respect of the purchases of containers (note 23(a)(ix)).

13 Trade and other payables (Continued)

(d) The balance represented the rental income of the managed containers collected, net of the direct operating expenses of the managed containers paid by the Group on behalf of third parties and the management fee income entitled by the Group.

(e) Loan from a joint venture is unsecured, bears interest at 3.5% per annum and repayable within twelve months.

(f) Loans from non-controlling shareholders of subsidiaries are unsecured and repayable within twelve months. Balance of US$8,193,000 (31 December 2013: US$8,193,000) bears interest at 0.6% above 1-year US dollar London Interbank Offered Rate ("LIBOR") per annum. Balance of US$32,506,000 (31 December 2013: US$32,804,000) bears interest at 5.13% per annum. Balance of US$65,011,000 (31 December 2013: US$65,607,000) bears interest at 6.77% per annum. Balance of US$49,681,000 (31 December 2013: US$49,681,000) is interest free.

14 Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30 June	
	2014	2013
	US$'000	US$'000
Crediting		
Dividend income from an unlisted investment	**2,034**	1,923
Rental income from investment properties	**695**	206
Write back of provision for impairment of trade receivables, net	**349**	700
Gain on disposal of property, plant and equipment	**619**	290
Charging		
Depreciation and amortisation	**106,178**	89,173
Loss on disposal of property, plant and equipment	**1**	262
Rental expenses under operating leases of		
— buildings leased from fellow subsidiaries	**781**	777
— buildings leased from a joint venture	**16**	16
— land use rights leased from non-controlling shareholders of subsidiaries	**553**	544
— Concession (note 7)	**23,943**	19,847
Provision for inventories	**—**	18

15 Finance income and costs

	Six months ended 30 June 2014 US$'000	2013 US$'000
Finance income		
Interest income on		
— bank balances and deposits	**10,090**	4,537
— loans to joint ventures and an associate	**2,646**	774
	12,736	5,311
Finance costs		
Interest expenses on		
— bank loans	**(26,375)**	(39,759)
— notes wholly repayable within five years	**—**	(4,713)
— notes not wholly repayable within five years	**(6,564)**	(5,469)
— loans from non-controlling shareholders of subsidiaries (notes 13(f))	**(3,108)**	(3,859)
— loan from a joint venture (note 13(e))	**(473)**	(423)
Fair value loss on derivative financial instruments	**—**	(6,294)
Fair value adjustment of notes attributable to interest rate risk	**—**	8,180
	—	1,886
Amortised amount of		
— discount on issue of notes	**(139)**	(195)
— transaction costs on bank loans and notes	**(1,501)**	(1,697)
	(38,160)	(54,229)
Less: amount capitalised in construction in progress	**3,372**	9,039
	(34,788)	(45,190)
Other incidental borrowing costs and charges	**(1,208)**	(1,022)
	(35,996)	(46,212)
Net finance costs	**(23,260)**	(40,901)

16 Income tax expenses

	Six months ended 30 June 2014 US$'000	2013 US$'000
Current income tax		
— Hong Kong profits tax	**—**	14
— Mainland China taxation	**7,538**	4,274
— Overseas taxation	**6,678**	4,781
— Under/(over) provision in prior years	**5**	(57)
	14,221	9,012
Deferred income tax charge	**5,906**	6,579
	20,127	15,591

The Group's shares of income tax expenses of joint ventures and associates of US$14,640,000 (2013: US$10,686,000) and US$6,615,000 (2013: US$6,829,000) are included in the Group's shares of profits less losses of joint ventures and associates respectively.

No Hong Kong profits tax has been provided as the Group does not have estimated assessable profit in Hong Kong for the period (2013: Hong Kong profits tax was provided at a rate of 16.5% on the estimated assessable profit).

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

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

As at 30 June 2014, deferred income tax liabilities of US$8,019,000 (31 December 2013: US$7,443,000) have not been established for the withholding taxation that would be payable on the undistributed profits of certain subsidiaries in certain tax jurisdictions totaling US$48,017,000 (31 December 2013: US$43,420,000) as the directors considered that the timing of the reversal of the related temporary differences can be controlled and accordingly, these temporary differences will not be reversed in the foreseeable future.

17 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 Group listed in Shenzhen and Hong Kong to Long Honour Investments Limited ("Long Honour"), a direct wholly owned subsidiary of COSCO (Hong Kong) Group Limited which in turn is a direct wholly owned subsidiary of COSCO, the ultimate controlling shareholder of the Company. The cash consideration was US$1,219,789,000. In June 2013, the disposal was approved by the independent shareholders of the Company. Accordingly, the container manufacturing and related businesses were reclassified as discontinued operation. COSCO Container Industries Limited ("COSCO Container"), a direct wholly owned subsidiary of the Company whose major asset is the Group's 21.8% equity interest in CIMC was disposed of in the same transaction. Long Honour had acquired the entire issued share capital and sale loan of COSCO Container. The disposal was completed on 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.

18 Earnings per share

(a) Basic

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

	Six months ended 30 June	
	2014	2013
Profit from continuing operations attributable to equity holders of the Company	**US$146,786,000**	US$143,822,000
Profit from discontinued operation attributable to equity holders of the Company	**—**	US$416,470,000
	US$146,786,000	US$560,292,000
Weighted average number of ordinary shares in issue	**2,912,325,528**	2,786,211,582
Basic earnings per share		
— from continuing operations	**US5.04 cents**	US5.16 cents
— from discontinued operation	**—**	US14.95 cents
	US5.04 cents	US20.11 cents

(b) Diluted

The outstanding share options granted by the Company did not have any dilutive effect on the earnings per share for the six months ended 30 June 2014, and the diluted earnings per share is equal to the basic earnings per share for the six months ended 30 June 2014.

For the six months ended 30 June 2013, diluted earnings per share is calculated based on the profit attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the period, after adjusting for the number of dilutive potential ordinary shares deemed to be issued at no considerations as if all outstanding dilutive share options granted by the Company had been exercised.

18 Earnings per share (Continued)

(b) Diluted (Continued)

	Six months ended 30 June 2013
Profit from continuing operations attributable to equity holders of the Company	US$143,822,000
Profit from discontinued operation attributable to equity holders of the Company	US$416,470,000
	US$560,292,000
Weighted average number of ordinary shares in issue	2,786,211,582
Adjustments for assumed issuance of shares on exercise of dilutive share options	325,039
Weighted average number of ordinary shares for diluted earnings per share	2,786,536,621
Diluted earnings per share	
— from continuing operations	US5.16 cents
— from discontinued operation	US14.95 cents
	US20.11 cents

19 Interim dividends

	Six months ended 30 June	
	2014	2013
	US$'000	US$'000
Interim dividend, declared of US2.016 cents (2013: US2.396 cents) per ordinary share	**58,712**	66,758
2013 special interim dividend, declared of US5.648 cents per ordinary share	**—**	157,366
	58,712	224,124

Notes:

(a) 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 with a scrip dividend alternative for the year ended 31 December 2013. The final dividend, which was approved at the annual general meeting of the Company held on 15 May 2014, was paid on 16 July 2014 and had been reflected as an appropriation of retained profits for the year ending 31 December 2014.

(b) At a meeting held on 26 August 2014, the directors declared an interim dividend of HK15.6 cents (equivalent to US2.016 cents) per ordinary share. The dividend will be payable in cash and with a scrip dividend alternative. The interim dividend declared is not reflected as dividend payable in the Unaudited Condensed Consolidated Interim Financial Information, but will be reflected as an appropriation of retained profits for the year ending 31 December 2014.

20 Financial guarantee contracts

	As at 30 June 2014 US$'000	As at 31 December 2013 US$'000
Bank guarantees to an associate	**18,190**	21,094

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

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

21 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$7,900,000) 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 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.

22 Capital commitments

The Group had the following significant capital commitments as at 30 June 2014:

	As at 30 June 2014 US$'000	As at 31 December 2013 US$'000
Authorised but not contracted for:		
— Investment (note)	**33,388**	33,694
— Containers	**207,300**	418,000
— Computer system under development	**—**	790
— Other property, plant and equipment	**492,858**	377,627
	733,546	830,111
Contracted but not provided for:		
— Containers	**11,408**	16,540
— Investments (note)	**568,909**	630,304
— Other property, plant and equipment	**220,023**	215,882
	800,340	862,726
The Group's share of capital commitments of the joint ventures themselves not included in the above are as follows:		
Authorised but not contracted for	**19,787**	6,014
Contracted but not provided for	**10,428**	9,385
	30,215	15,399

22 Capital commitments (Continued)

Note:

The capital commitments in respect of investments of the Group as at 30 June 2014 are as follows:

	As at 30 June 2014 US$'000	As at 31 December 2013 US$'000
Authorised but not contracted for		
Investment in:		
— Changshu Chang Jiang International Port Co., Ltd.	**33,388**	33,694
Contracted but not provided for		
Investments in:		
— Qingdao Qianwan Container Terminal Co., Ltd.	**64,997**	64,997
— Antwerp Gateway NV	**60,808**	61,312
— Dalian Port Container Terminal Co., Ltd.	**47,458**	47,893
— Tianjin Port Euroasia International Container Terminal Co., Ltd.	**114,094**	115,140
— Qingdao Port Dongjiakou Ore Terminal Co., Ltd.	**97,517**	155,817
— Others	**113,800**	114,266
	498,674	559,425
Terminal projects in:		
— Shanghai Yangshan Port Phase II	**65,011**	65,607
— Others	**5,224**	5,272
	70,235	70,879
	568,909	630,304

23 Related party transactions

The Group is controlled by China COSCO which owns 43.92% of the Company's shares as at 30 June 2014. The parent company of China COSCO is COSCO.

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

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

23 Related party transactions (Continued)

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

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

	Six months ended 30 June	
	2014	2013
	US$'000	US$'000
Container rental income from fellow subsidiaries (note i, xiii)	**82,716**	77,462
Compensation for loss of containers from a fellow subsidiary (note ii, xiii)	**251**	292
Handling, storage and transportation income from fellow subsidiaries (note iii, xiii)	**930**	1,324
Management fee and service fee income from (note iv)		
— joint ventures	**2,031**	2,121
— associates	**313**	77
— an investee company	**70**	30
Terminal handling and storage income from (note v, xiii)		
— fellow subsidiaries	**21,459**	20,118
— a non-controlling shareholder of a subsidiary	**22,890**	21,546
Container freight charges to subsidiaries of CIMC (note vi)	**(856)**	(303)
Container handling and logistics services fee to non-controlling shareholders of subsidiaries (note vii, xiii)	**(9,846)**	(8,345)
Electricity and fuel expenses to (note viii, xiii)		
— a fellow subsidiary	**(397)**	(992)
— non-controlling shareholders of subsidiaries	**(1,974)**	(1,977)
Purchase of containers from subsidiaries of CIMC (note ix)	**(176,181)**	(69,251)
Handling, storage and maintenance expenses to fellow subsidiaries (note x, xiii)	**(374)**	(409)
High-frequency communication fee to a non-controlling shareholder of a subsidiary (note xi, xiii)	**(82)**	(52)
Rental expenses paid to (note xii, xiii)		
— a fellow subsidiary	**(777)**	(777)
— non-controlling shareholders of subsidiaries	**(1,528)**	(541)
Proceeds on disposal of an associate to a fellow subsidiary (note 17, xiv)	**—**	1,219,789

23 Related party transactions (Continued)

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

Notes:

(i) The Group has conducted container leasing business with COSCON, other fellow subsidiaries of COSCO and other state-owned enterprises. The container rental income was charged based on terms agreed between the Group and the respective parties in concern.

(ii) During the period, the Group had compensation received and receivable of US$251,000 (2013: US$292,000) from COSCON for the loss of containers under operating leases, resulting in a profit of US$78,000 (2013: US$15,000).

(iii) The handling, storage and transportation income received from fellow subsidiaries of the Group were conducted at terms as set out in the agreements entered into between the Group and these fellow subsidiaries.

(iv) The Group provided advisory and management services to COSCO-HIT Terminals (Hong Kong) Limited ("COSCO-HIT Terminal"), a joint venture of the Group, during the period. Management fee was charged and agreed at HK$20,000,000 (equivalent to US$2,578,000) (2013: HK$20,000,000 (equivalent to US$2,578,000)) per annum.

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

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

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

(vi) The container freight charges paid to subsidiaries of CIMC for container repositioning services rendered to the Group were charged at rates mutually agreed.

(vii) The container handling and logistics service fees paid to non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.

(viii) Electricity and fuel expenses paid to a fellow subsidiary and non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.

(ix) The purchases of containers from subsidiaries of CIMC, were conducted at terms as set out in the agreements entered into between the Group and the respective parties in concern.

(x) Handling, storage and maintenance expenses paid to fellow subsidiaries were charged at rates as mutually agreed.

(xi) High-frequency communication fee paid to a non-controlling shareholder of a subsidiary was charged at rates as mutually agreed.

(xii) Rental expenses paid to a fellow subsidiary and non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.

23 Related party transactions (Continued)

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

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

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

(b) Balances with state-owned banks

	As at 30 June 2014 US$'000	As at 31 December 2013 US$'000
Bank deposits balances		
— in Mainland China	**326,524**	540,143
— outside Mainland China	**527,428**	573,747
Long term bank loans		
— in Mainland China	**411,056**	420,412
— outside Mainland China	**789,058**	853,649
Short term bank loans		
— in Mainland China	**22,754**	16,402
Committed and undrawn bank borrowings facilities		
— in Mainland China	**501,586**	385,429
— outside Mainland China	**70,476**	20,646

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

(c) Balances with other government related entities

	As at 30 June 2014 US$'000	As at 31 December 2013 US$'000
Other payable to government port authority	**10,082**	9,983

The balance represented the port construction levies collected by a subsidiary of the Group on behalf of the port authority in Zhangjiagang pursuant to a notice issued by the Ministry of Communications of the PRC. The balance is unsecured, interest free and has no fixed terms of repayment.

23 Related party transactions (Continued)

(d) Key management compensation

	Six months ended 30 June	
	2014	2013
	US$'000	US$'000
Salaries, bonuses and other allowances	**2,156**	1,894
Contributions to retirement benefit schemes	**6**	6
	2,162	1,900

Key management includes directors of the Company and four (2013: four) senior management members of the Group.

24 Business combination

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

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

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

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

24 Business combination (Continued)

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the interim financial information set out on pages 2 to 37, which comprises the condensed consolidated balance sheet of COSCO Pacific Limited (the "Company") and its subsidiaries (collectively the "Group") as at 30 June 2014 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "Interim Financial Information"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on Interim Financial Information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of this Interim Financial Information in accordance with HKAS 34. Our responsibility is to express a conclusion on this Interim Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 August 2014

INTERIM DIVIDEND

The directors have declared 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 for the six months ended 30 June 2014, with an option to receive new fully paid shares in lieu of cash ("Scrip Dividend Scheme").

The interim dividend will be payable to shareholders whose names appear on the register of members of the Company on 15 September 2014. The Scrip Dividend Scheme is conditional upon the granting of the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme by the Listing Committee of The Stock Exchange of Hong Kong Limited. Dividend warrants and share certificates for new shares to be issued under the Scrip Dividend Scheme will be despatched by ordinary mail on or about Monday, 27 October 2014.

Details of the Scrip Dividend Scheme and the election form will be sent to shareholders on or about Monday, 29 September 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 11 September 2014 to Monday, 15 September 2014, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 10 September 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Profit attributable to equity holders of COSCO Pacific for the first half of 2014 was US$146,786,000 (corresponding period of 2013: US$560,292,000), a 73.8% decrease compared with the corresponding period of last year. Excluding profit from the discontinued container manufacturing business for the corresponding period of 2013, profit attributable to equity holders of COSCO Pacific for the first half of 2014 recorded a 2.1% increase compared with the corresponding period of last year. Profit from the discontinued container manufacturing business for the corresponding period of 2013 included a net gain of US$393,411,000 on the disposal of the equity interest in CIMC and the share of profit of CIMC of US$23,059,000 for the first half of 2013. No such profit was recorded during the first half of 2014.

Profit from the terminals business for the first half of 2014 was US$109,085,000 (corresponding period of 2013: US$92,830,000), a 17.5% increase compared with the corresponding period of last year. In the first half of 2014, the throughput of container terminals reached 32,481,568 TEU (corresponding period of 2013: 29,494,353 TEU), a 10.1% increase compared with the corresponding period of last year. Equity throughput increased to 9,285,396 TEU (corresponding period of 2013: 8,201,200 TEU), a 13.2% increase compared with the corresponding period of last year. For terminals in which the Group has controlling stakes, Piraeus Terminal in Greece delivered satisfactory results during the period. The throughput of Piraeus Terminal recorded a 26.7% increase compared with the corresponding period of last year, and a profit of US$15,073,000 (corresponding period of 2013: US$12,369,000), representing a 21.9% increase compared with the corresponding period of last year. In addition, Xiamen Ocean Gate Container Terminal Co., Ltd. ("Xiamen Ocean Gate Terminal") also recorded some improvements in its operation. During the period, the throughput of containers recorded a significant increase of 36.7%, driven by the opening of new shipping routes, and the loss for the first half of 2014 decreased to US$2,868,000 (corresponding period of 2013: loss of US$4,382,000), representing a 34.6% decrease in loss compared with the corresponding period of last year. For terminals in which the Group does not have controlling stakes, during the period, profit of Qingdao Qianwan Container Terminal Co., Ltd. ("Qingdao Qianwan Terminal"), Shanghai Pudong International Container Terminals Limited ("Shanghai Pudong Terminal") and Ningbo Yuan Dong Terminals Limited ("Ningbo Yuan Dong Terminal") attributable to the Group achieved a significant growth. At the same time, the Group completed the acquisition of 39.04% equity interest in Taicang International Container Terminal Co., Ltd. ("Taicang Terminal") in July 2013. In addition, the Group invested in Qingdao Port Dongjiakou Ore Terminal Co., Ltd. ("Dongjiakou Ore Terminal") and completed the acquisition of the equity interest in Asia Container Terminals Limited ("Asia Container Terminals") and all of these newly acquired terminals contributed profit to the Group during the period. However, the Group's share of profit from Yantian International Container Terminals Co., Ltd. ("Yantian Terminal") during the period experienced a decline due to the rise in staff costs of Yantian Terminal, as well as the expiration of the tax holidays of 50% income tax relief for Yantian Terminal Phase III. COSCO-HIT Terminal also saw a rise in costs after the strike which took place at the beginning of last year. Despite these factors, taken as a whole, profit from COSCO Pacific's terminals business for the first half of 2014 recorded a 17.5% increase compared with the corresponding period of last year.

With regard to the container leasing, management and sale businesses, a profit of US$53,289,000 (corresponding period of 2013: US$76,291,000) was recorded during the first half of 2014, a 30.2% decrease compared with the corresponding period of last year. As at 30 June 2014, the container fleet size of the Group was 1,936,263 TEU (30 June 2013: 1,874,826 TEU), a 3.3% increase compared with the corresponding period of last year.

Financial Analysis

Revenues

Revenues of the Group for the first half of 2014 amounted to US$440,158,000 (corresponding period of 2013: US$395,195,000), an 11.4% increase compared with the corresponding period of last year. The revenues was primarily derived from the terminals business of US$258,082,000 (corresponding period of 2013: US$217,066,000) and the container leasing, management and sale businesses of US$184,107,000 (corresponding period of 2013: US$180,234,000).

The total revenues from terminals business for the first half of 2014 increased by 18.9% compared with the corresponding period of last year. The increase was mainly derived from Piraeus Terminal in Greece, Guangzhou South China Oceangate Container Terminal Company Limited ("Guangzhou South China Oceangate Terminal") and Xiamen Ocean Gate Terminal. In the first half of 2014, the throughput of Piraeus Terminal in Greece reached 1,470,563 TEU (corresponding period of 2013: 1,160,630 TEU), contributing a revenue of US$91,459,000 (corresponding period of 2013: US$73,330,000) to the Group during the period, a 24.7% increase compared with the corresponding period of last year. The throughput of Guangzhou South China Oceangate Terminal in the first half of 2014 was 2,195,576 TEU (corresponding period of 2013: 2,110,113 TEU), and its revenue increased to US$71,843,000 (corresponding period of 2013: US$61,725,000), a 16.4% increase compared with the corresponding period of last year. Xiamen Ocean Gate Terminal recorded an increase of 36.7% of its container throughput, as well as an upward adjustment in its tariffs. In addition, the terminal completed the acquisition of Xiamen Haitou Tongda Terminal Co., Ltd. ("Xiamen Tongda Terminal") in March 2013. In the first half of 2014, the revenue of Xiamen Ocean Gate Terminal increased to US$15,936,000 (corresponding period of 2013: US$9,882,000), representing a 61.3% increase compared with the corresponding period of last year.

For the container leasing, management and sale businesses, revenues for the first half of 2014, which primarily included container leasing income and revenue from the disposal of returned containers, was US$184,107,000 (corresponding period of 2013: US$180,234,000), representing a 2.1% increase compared with the corresponding period of last year. As at 30 June 2014, the fleet capacity of owned containers and sale-and-leaseback containers reached 1,168,265 TEU and 250,290 TEU respectively (30 June 2013: 1,026,196 TEU and 250,290 TEU respectively). Revenue from container leasing for the first half of 2014 was US$147,639,000 (corresponding period of 2013: US$147,102,000), representing a slight increase of 0.4% over the corresponding period of last year. For the container sale business, although the selling price of returned containers disposed of fell by 28.3% compared with the corresponding period of last year, the number of returned containers disposed of during the period increased by 60.5% to 32,418 TEU (corresponding period of 2013: 20,198 TEU) over the corresponding period of last year, resulting in an increase in the revenue from the disposal of returned containers to US$30,022,000 (corresponding period of 2013: US$26,096,000).

Cost of sales

Cost of sales mainly comprised depreciation charges on owned containers, net carrying amount of returned containers disposed of, rental expenses of sale-and-leaseback containers and operating expenses of the terminal companies in which the Group has controlling stakes. Cost of sales in the first half of 2014 was US$272,188,000 (corresponding period of 2013: US$222,217,000), a 22.5% increase compared with the corresponding period of last year. Of this, cost of sales of terminals business was US$164,676,000 (corresponding period of 2013: US$141,691,000), a 16.2% increase compared with the corresponding period of last year. The increase was mainly attributable to a rise in the related cost of sales resulted from an increase in the business volume of terminals in which the Group has controlling stakes. Cost of sales of container leasing, management and sale businesses was US$107,541,000 (corresponding period of 2013: US$80,697,000), a 33.3% increase compared with the corresponding period of last year. Depreciation charges for containers during the period increased to US$63,027,000 (corresponding period of 2013: US$51,327,000) as a result of an increase in fleet size of owned containers compared with the corresponding period of last year. In the first half of 2014, as both the number and the net carrying amount of returned containers disposed of increased compared with the corresponding period of last year, the net carrying amount of returned containers disposed of increased to US$23,974,000 (corresponding period of 2013: US$10,861,000).

Administrative expenses

Administrative expenses in the first half of 2014 were US$43,246,000 (corresponding period of 2013: US$40,867,000), a 5.8% increase compared with the corresponding period of last year. The increase arose from the rise in the professional services fee of projects during the period.

Other operating expenses, net

Net other operating expenses during the period were US$5,003,000 (corresponding period of 2013: other operating income of US$4,856,000), which included a net exchange loss of US$9,470,000 recorded in the first half of 2014 (corresponding period of 2013: a net exchange gain of US$314,000).

Finance costs

The Group's finance costs in the first half of 2014 were US$35,996,000 (corresponding period of 2013: US$46,212,000), a 22.1% decrease compared with the corresponding period of last year. The decrease in finance costs was primarily due to the maturity and repayment of the 10-year notes with a principal amount of US$300,000,000 in October 2013, which were issued in 2003 by the Group, and the reduction in interest expenses as the Group continued to displace the bank loans of its subsidiaries in the form of shareholder's loan by utilising part of the proceeds from the disposal of CIMC in June 2013. The average balance of bank loans during the period dropped to US$2,019,608,000 (corresponding period of 2013: US$2,850,444,000), a 29.1% decrease compared with the corresponding period of last year. Taking into account capitalised interest, the average cost of bank borrowings in the first half of 2014, including the amortisation of transaction costs over bank loans and notes, was 3.54% (corresponding period of 2013: 3.58%).

Share of profits less losses of joint ventures and associates

Excluding the share of profit of CIMC which had been disposed of, the profit contribution from joint ventures and associates for the first half of 2014 amounted to US$81,742,000 (corresponding period of 2013: US$71,709,000), representing an increase of 14.0% compared with the corresponding period of last year. There was a significant growth in COSCO Pacific's share of profit from Qingdao Qianwan Terminal, Shanghai Pudong Terminal and Ningbo Yuan Dong Terminal during the period due to the increase in throughput and the change in the ratio of container types. The Group's share of profit of Qingdao Qianwan Terminal for the first half of 2014 was US$21,616,000 (corresponding period of 2013: US$14,362,000), a 50.5% increase compared with the corresponding period of last year. The Group's share of profit of Shanghai Pudong Terminal for the first half of 2014 was US$10,946,000 (corresponding period of 2013: US$8,381,000), a 30.6% increase compared with the corresponding period of last year. The Group's share of profit of Ningbo Yuan Dong Terminal for the first half of 2014 was US$5,431,000 (corresponding period of 2013: US$3,746,000), a 45.0% increase compared with the corresponding period of last year. Meanwhile, the Company successfully acquired 39.04% equity interest in Taicang Terminal in July 2013. In addition, COSCO Pacific also invested in Dongjiakou Ore Terminal and acquired the equity interest in Asia Container Terminals in the first half of 2014 and all of these newly acquired terminals contributed profit to the Group during the period. But, on the other hand, the Group's share of profit from Yantian Terminal for the period decreased to US$20,718,000 (corresponding period of 2013: US$24,623,000), a 15.9% decrease compared with the corresponding period of last year, due to the rise in staff costs of Yantian Terminal, as well as the expiration of the tax holidays of 50% income tax relief for Yantian Terminal Phase III. The Group's share of profit of COSCO-HIT Terminal during the period decreased to US$8,769,000 (corresponding period of 2013: US$9,750,000), a 10.1% decrease compared with the corresponding period of last year, due to rising costs after the strike which took place at the beginning of last year.

Income tax expenses

During the period, income tax expenses amounted to US$20,127,000 (corresponding period of 2013: US$15,591,000). This included a provision of approximately US$7,908,000 (corresponding period of 2013: US$7,255,000) for withholding income tax in respect of the profit distribution by certain investments of the Group in China.

Profit from discontinued operation

Profit from discontinued operation represented profit derived from the container manufacturing business. The Group had 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 had recognised its share of profit of CIMC of US$23,059,000 for the first half of 2013. Including the net gain on the disposal of its equity interest in CIMC and the share of profit of CIMC for the corresponding period of last year, the total profit from the discontinued container manufacturing business amounted to US$416,470,000 in the first half of 2013.

Financial Position

Cash flow

Cash inflow of the Group remained steady in the first half of 2014. During the period, net cash from operating activities amounted to US$212,423,000 (corresponding period of 2013: US$198,345,000). The Group borrowed bank loans of US$154,661,000 (corresponding period of 2013: US$425,388,000) in the first half of 2014, and repaid US$216,198,000 (corresponding period of 2013: US$220,318,000) during the period.

During the period, an amount of US$195,421,000 (corresponding period of 2013: US$233,878,000) was paid in cash by the Group for the expansion of berths and purchase of property, plant and equipment, of which US$161,409,000 (corresponding period of 2013: US$95,441,000) was for the purchase of new containers. In addition, the total cash outflow for capital investment by COSCO Pacific amounted to US$279,919,000 in the first half of 2014, comprising US$212,335,000 for the investment in Asia Container Terminals, net equity interest investment of US$57,330,000 in Dongjiakou Ore Terminal and US$10,254,000 used for capital injection in Ningbo Yuan Dong Terminal. During the corresponding period of 2013, the total cash outflow for capital investment by COSCO Pacific amounted to US$41,840,000, comprising net equity interest investment of US$31,794,000 for the acquisition of Xiamen Tongda Terminal and US$10,046,000 used for capital injection in Ningbo Yuan Dong Terminal.

Financing and credit facilities

As at 30 June 2014, the Group's total outstanding borrowings and cash balance amounted to US$1,979,660,000 (31 December 2013: US$2,046,210,000) and US$929,358,000 (31 December 2013: US$1,237,551,000) respectively. Banking facilities available but unused amounted to US$670,562,000 (31 December 2013: US$504,575,000).

Assets and liabilities

As at 30 June 2014, the Group's total assets and total liabilities increased to US$7,685,171,000 (31 December 2013: US$7,551,304,000) and US$2,753,869,000 (31 December 2013: US$2,707,810,000) respectively. Net assets were US$4,931,302,000, representing an increase of 1.8% as compared with that of US$4,843,494,000 as at 31 December 2013. Net current assets as at 30 June 2014 amounted to US$156,849,000 (31 December 2013: US$650,796,000). As at 30 June 2014, net asset value per share of the Company was US$1.69 (31 December 2013: US$1.66).

As at 30 June 2014, net debt-to-total equity ratio was 21.3% (31 December 2013: 16.7%), and the interest coverage was 6.0 times (corresponding period of 2013: 13.6 times). As at 30 June 2014, certain of the Group's non-current assets with an aggregate net book value of US$63,562,000 (31 December 2013: US$65,473,000) were pledged as securities against bank borrowings of US$273,011,000 (31 December 2013: US$275,785,000).

Debt analysis

	As at 30 June 2014 US$	(%)	As at 31 December 2013 US$	(%)
By repayment term				
Within the first year	**366,967,000**	**18.6**	275,785,000	13.5
Within the second year	**277,486,000**	**14.0**	567,710,000	27.7
Within the third year	**241,490,000**	**12.2**	144,492,000	7.1
Within the fourth year	**352,723,000**	**17.8**	270,678,000	13.2
Within the fifth year and after	**740,994,000**	**37.4**	787,545,000	38.5
	1,979,660,000*	**100.0**	2,046,210,000*	100.0
By category				
Secured borrowings	**273,011,000**	**13.8**	275,277,000	13.5
Unsecured borrowings	**1,706,649,000**	**86.2**	1,770,933,000	86.5
	1,979,660,000*	**100.0**	2,046,210,000*	100.0
By denominated currency				
US dollar borrowings	**1,311,446,000**	**66.2**	1,375,387,000	67.2
RMB borrowings	**395,203,000**	**20.0**	395,546,000	19.3
Euro borrowings	**273,011,000**	**13.8**	275,277,000	13.5
	1,979,660,000*	**100.0**	2,046,210,000*	100.0

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

Financial guarantee contracts

As at 30 June 2014, the Group provided guarantees on a loan facility granted to an associate of US$18,190,000 (31 December 2013: US$21,094,000).

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$7,900,000) 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 with the Group's functional currency of major cash receipts and underlying assets as far as possible. Borrowings for container leasing business are mainly denominated in US dollar, which is the same currency as the majority of its revenue and expenses so as to minimise potential foreign exchange exposure.

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

As at 30 June 2014, 15.2% (31 December 2013: 14.7%) of the Group's total borrowings were in fixed rate. The Group continues to monitor and regulate its fixed and floating rate debt portfolio from time to time in light of the market conditions, with a view to minimising its potential interest rate exposure.

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 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.

Due to the increase in corporate income tax upon expiry of the tax holidays, coupled with a rise in operating cost, the Group's share of profit from Yantian Terminal decreased by 15.9% to US$20,718,000 (corresponding period of 2013: US$24,623,000). Affected by the rising labour cost, the share of profit from COSCO-HIT Terminal fell by 10.1% to US$8,769,000 (corresponding period of 2013: US$9,750,000). The drop in the Group's share of profit from these two terminals offset part of the profit growth in the terminals business.

On 13 March 2014, the Group acquired 40% equity interest in Asia Container Terminals, whose profit and throughput have been included into the Group's accounts since 14 March 2014. The acquired company contributed a profit of US$554,000 to the Group and repaid interest for the Group's shareholder loan amounting to US$1,083,000 during the period.

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 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.

During the period, the Bohai Rim region reported a total throughput of 12,546,426 TEU (corresponding period of 2013: 12,009,347 TEU), up 4.5% and accounting for 38.6% of the Group's total container throughput. The container throughput at Qingdao Qianwan Terminal grew 5.1% to 8,089,696 TEU (corresponding period of 2013: 7,700,693 TEU). Benefiting from the new shipping lines, the container throughput of Tianjin Port Euroasia International Container Terminal Co., Ltd. and Tianjin Five Continents International Container Terminal Co., Ltd. grew 9.9% to 988,417 TEU (corresponding period of 2013: 899,460 TEU) and 8.3% to 1,258,450 TEU (corresponding period of 2013: 1,162,015 TEU) respectively.

The Yangtze River Delta region reported a total throughput of 4,931,807 TEU (corresponding period of 2013: 4,323,744 TEU), up 14.1% and accounting for 15.2% of the Group's total container throughput. During the second half of 2013, several new shipping lines were opened which boosted the throughput of Shanghai Pudong Terminal by a remarkable 20.8% to 1,178,394 TEU (corresponding period of 2013: 975,468 TEU) over the period. Moreover, Ningbo Yuan Dong Terminal expanded its business presence, driving up its container throughput by 19.9% to 1,568,009 TEU (corresponding period of 2013: 1,308,108 TEU). In addition, the Group completed the acquisition of a 39.04% equity interest in Taicang Terminal on 22 July 2013 and has consolidated the terminal's throughput started from August 2013. During the period, the terminal reported a throughput of 293,075 TEU (corresponding period of 2013: Nil).

The container throughput along the Southeastern Coast and others region totaled 1,809,505 TEU (corresponding period of 2013: 1,536,622 TEU), up 17.8% and accounting for 5.6% of the Group's total container throughput. Xiamen Ocean Gate Terminal was still at a stage of rapid growth. Coupling with the optimisation of a number of service routes and successful marketing efforts, the terminal reported a container throughput of 406,867 TEU (corresponding period of 2013: 297,713 TEU), representing an increase of 36.7%.

The Pearl River Delta region reported a total throughput of 8,622,636 TEU (corresponding period of 2013: 7,895,401 TEU), up 9.2% and accounting for 26.5% of the Group's total container throughput. The container throughput of Yantian Terminal climbed 4.9% to 5,175,306 TEU (corresponding period of 2013: 4,935,469 TEU), which was largely driven by growth in transshipment cargoes and US cargoes. The container throughput of COSCO-HIT Terminal rose 1.6% to 863,417 TEU (corresponding period of 2013: 849,819 TEU), signifying steady development. Starting from 14 March 2014, the throughput and the profit of Asia Container Terminals were included into the Group's accounts, and a throughput of 388,337 TEU was recorded during the period. The container throughput of Guangzhou South China Oceangate Terminal increased 4.1% to 2,195,576 TEU (corresponding period of 2013: 2,110,113 TEU), mainly driven by an increase in export cargo volume.

Overseas terminals reported a total throughput of 4,571,194 TEU (corresponding period of 2013: 3,729,239 TEU), up 22.6% and accounting for 14.1% of the Group's total container throughput. Piraeus Terminal handled 1,470,563 TEU (corresponding period of 2013: 1,160,630 TEU), up 26.7%. Its efforts in market expansion yielded expected results with its business continuing to grow. Meanwhile, the terminal has also launched its sea-rail intermodal transport service for the expansion of its hinterland, which will strengthen its core competence. The Group will further enhance the handling capacity of Piraeus Terminal to cope with the increasing volume. Based in Belgium, Antwerp Gateway NV continued to improve its operation performance, with its throughput increased by 26.0% to 792,492 TEU during the period (corresponding period of 2013: 628,771 TEU).

As of 30 June 2014, the Group was operating 106 container terminals berths (30 June 2013: 102), with a total annual handling capacity of 64,350,000 TEU (30 June 2013: 62,200,000 TEU); and was operating 13 bulk cargo berths (30 June 2013: 9) with a total annual handling capacity of 46,050,000 tons (30 June 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

Throughput of terminal companies

Terminal companies	1H 2014 (TEU)	1H 2013 (TEU)	change (%)
Bohai Rim	**12,546,426**	12,009,347	+4.5
Qingdao Qianwan Container Terminal Co., Ltd. Note 1	**8,089,696**	7,700,693	+5.1
Tianjin Five Continents International Container Terminal Co., Ltd.	**1,258,450**	1,162,015	+8.3
Tianjin Port Euroasia International Container Terminal Co., Ltd.	**988,417**	899,460	+9.9
Dalian Port Container Terminal Co., Ltd.	**1,279,787**	1,355,131	-5.6
Yingkou Container Terminals Company Limited	**930,076**	892,048	+4.3
Yangtze River Delta	**4,931,807**	4,323,744	+14.1
Shanghai Pudong International Container Terminals Limited	**1,178,394**	975,468	+20.8
Ningbo Yuan Dong Terminals Limited	**1,568,009**	1,308,108	+19.9
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	**464,587**	670,978	-30.8
Yangzhou Yuanyang International Ports Co., Ltd.	**226,606**	206,234	+9.9
Taicang International Container Terminal Co., Ltd. Note 2	**293,075**	—	N/A
Nanjing Port Longtan Container Co., Ltd.	**1,201,136**	1,162,956	+3.3
Southeast Coast and others	**1,809,505**	1,536,622	+17.8
Quan Zhou Pacific Container Terminal Co., Ltd.	**549,602**	503,294	+9.2
Jinjiang Pacific Ports Development Co., Ltd.	**240,661**	198,186	+21.4
Xiamen Ocean Gate Container Terminal Co., Ltd	**406,867**	297,713	+36.7
Kao Ming Container Terminal Corp.	**612,375**	537,429	+13.9
Pearl River Delta	**8,622,636**	7,895,401	+9.2
Yantian International Container Terminals Co., Ltd	**5,175,306**	4,935,469	+4.9
COSCO-HIT Terminals (Hong Kong) Limited	**863,417**	849,819	+1.6
Asia Container Terminals Limited Note 3	**388,337**	—	N/A
Guangzhou South China Oceangate Container Terminal Company Limited	**2,195,576**	2,110,113	+4.1
Overseas	**4,571,194**	3,729,239	+22.6
Piraeus Container Terminal S.A.	**1,470,563**	1,160,630	+26.7
Suez Canal Container Terminal S.A.E.	**1,705,741**	1,459,728	+16.9
COSCO-PSA Terminal Private Limited	**602,398**	480,110	+25.5
Antwerp Gateway NV	**792,492**	628,771	+26.0
Total	**32,481,568**	29,494,353	+10.1

Note 1: Throughput of Qingdao Qianwan Terminal included the throughput of Qingdao Qianwan United Terminal and Qingdao Qianwan United Advance Terminal and these two terminals are joint ventures of Qingdao Qianwan Terminal. The throughput of the two terminals in the first half of 2014 were 2,224,445 TEU (corresponding period of 2013: 2,117,350 TEU) and 687,063 TEU (corresponding period of 2013: 658,336 TEU), representing an increase of 5.1% and 4.4% respectively.

Note 2: The throughput of Taicang Terminal was included since 1 August 2013.

Note 3: The throughput of Asia Container Terminals was included since 14 March 2014.

Note 4: The total throughput of bulk cargo in the first half of 2014 was 36,432,061 tons (corresponding period of 2013: 17,146,526 tons), representing an increase of 112.5%. The bulk cargo throughput of Dongjiakou Ore Terminal was included since 1 March 2014, while its throughput during the period was 12,934,203 TEU. The throughput of Dalian Automobile Terminal Co., Ltd. reached 224,968 vehicles (corresponding period of 2013: 159,827 vehicles), representing an increase of 40.8%.

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). 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.

The revenue from container leases increased 0.4% to US$147,639,000 (corresponding period of 2013: US$147,102,000), accounting for 80.2% (corresponding period of 2013: 81.6%) of the total revenues of the container leasing, management and sale businesses. Although the Group's number of owned and sale-and-leaseback containers increased by 11.1% to 1,418,555 TEU (30 June 2013: 1,276,486 TEU), revenues from container leasing only recorded a slight increase as lease rates remained at low levels.

Meanwhile, the number of disposed returned containers, being containers returned from COSCO Container Lines Company Limited ("COSCON") upon expiry of 10-year leases, increased by 60.5% to 32,418 TEU (corresponding period of 2013: 20,198 TEU). However, the sale prices for old containers dropped moderately, causing the revenue from disposed returned containers to rise slightly by 15.0% to US$30,022,000 (corresponding period of 2013: US$26,096,000) which accounted for 16.3% (corresponding period of 2013: 14.5%) of the total revenues of the container leasing, management and sale businesses. During the period, the number of containers returned from COSCON upon expiry of 10-year leases was 24,646 TEU (corresponding period of 2013: 11,678 TEU), representing an increase of 111.0%.

As the fleet size of managed containers shrank 13.5% to 517,708 TEU (30 June 2013: 598,340 TEU), the revenue from the management of containers fell by 23.1% to US$2,937,000 (corresponding period of 2013: US$3,819,000), accounting for 1.6% (corresponding period of 2013: 2.1%) of the total revenues of the container leasing, management and sale businesses.

Breakdown of revenue from container leasing, management and sale businesses

	1H 2014 (US$)	y-o-y change (%)	% of total revenue
Container leasing	147,639,000	+0.4	80.2
Disposal of returned containers	30,022,000	+15.0	16.3
Container management	2,937,000	-23.1	1.6
Others	3,509,000	+9.1	1.9
Total revenue	184,107,000	+2.1	100.0

Fleet capacity movement

	2014 (TEU)	2013 (TEU)	change (%)
Fleet capacity as at 1 January	**1,888,200**	1,855,597	+1.8
New containers purchased	**109,500**	65,000	+68.5
Containers returned from COSCON upon expiry of leases			
— Total	**(24,646)**	(11,678)	+111.0
— Re-leased	**1,935**	289	+569.6
— Disposal of and pending for disposal	**(22,711)**	(11,389)	+99.4
Ownership transferred to customers upon expiry of finance leases	**(2)**	(31)	-93.5
Defective containers written off	**(4)**	(14)	-71.4
Total loss of containers declared and compensated by customers	**(38,720)**	(34,337)	+12.8
Fleet capacity as at 30 June	**1,936,263**	1,874,826	+3.3

As of 30 June 2014, the Group's container fleet rose by 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 average age of the container fleet was 6.57 years (corresponding period of 2013: 6.54 years).

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).

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

As at 30 June	Leasing Customers	2014 (TEU)	2013 (TEU)	change (%)
Owned containers	COSCON	**546,921**	441,400	+23.9
Owned containers	International customers	**621,344**	584,796	+6.2
Sale-and-leaseback containers	COSCON	**250,290**	250,290	—
Managed containers	International customers	**517,708**	598,340	-13.5
Total		**1,936,263**	1,874,826	+3.3

As at 30 June	Leasing Customers	2014 % of total	2013 % of total	change (pp)
Owned containers	COSCON	**28.3**	23.5	+4.8
Owned containers	International customers	**32.1**	31.2	+0.9
Sale-and-leaseback containers	COSCON	**12.9**	13.4	-0.5
Managed containers	International customers	**26.7**	31.9	-5.2
Total		**100.0**	100.0	—

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.

SHARE OPTIONS

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

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

		Number of share options								
Category	Exercise price HK$	Outstanding at 1 January 2014	Granted during the period	Exercised during the period	Transfer (to)/from other categories during the period	Lapsed during the period	Outstanding at 30 June 2014	% of total issued share capital	Exercisable period	Note
Director										
Dr. WONG Tin Yau, Kelvin	13.75	1,000,000	–	–	–	–	1,000,000	0.034%	2.12.2004-1.12.2014	(1), (3)
	19.30	500,000	–	–	–	–	500,000	0.017%	18.4.2007-17.4.2017	(2), (3)
		1,500,000	–	–	–	–	1,500,000			
Continuous contract employees	13.75	10,806,000	–	–	(16,000)	(120,000)	10,670,000	0.366%	(refer to note 1)	(1)
	19.30	12,030,000	–	–	(70,000)	(80,000)	11,880,000	0.408%	(refer to note 2)	(2)
Others	13.75	1,650,000	–	–	16,000	–	1,666,000	0.057%	(refer to note 1)	(1)
	19.30	860,000	–	–	70,000	–	930,000	0.032%	(refer to note 2)	(2)
		25,346,000	–	–	–	(200,000)	25,146,000			
		26,846,000	–	–	–	(200,000)	26,646,000			

Notes:

(1) The share options were granted during the period from 25 November 2004 to 16 December 2004 under the 2003 Share Option Scheme at an exercise price of HK$13.75. The options are exercisable at any time within ten years from the commencement date which is the date on which an offer is accepted or deemed to be accepted by the grantee pursuant to the 2003 Share Option Scheme (the "Commencement Date"). The Commencement Date of the options was from 25 November 2004 to 16 December 2004.

(2) The share options were granted during the period from 17 April 2007 to 19 April 2007 under the 2003 Share Option Scheme at an exercise price of HK$19.30. The options are exercisable at any time within ten years from the Commencement Date. The Commencement Date of the options was from 17 April 2007 to 19 April 2007.

(3) These options represent personal interest held by the relevant director as beneficial owner.

(4) During the period, no share options were granted, exercised or cancelled under the 2003 Share Option Scheme.

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2014, the interest of the Company's directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(a) Long positions in the shares of the Company

Name of director	Capacity	Nature of interest	Number of ordinary shares held	% of total issued share capital of the Company
Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	548,171	0.019%
Mr. Timothy George FRESHWATER	Beneficial owner	Personal	30,000	0.001%

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

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

(c) Long positions in the shares of associated corporations

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

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

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

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

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

					Number of share options						
Name of associated corporation	Name of director	Capacity	Nature of interest	Exercise price HK$	Outstanding at 1 January 2014	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding at 30 June 2014	% of total issued share capital of the relevant associated corporation
COSCO International Holdings Limited	Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	1.37	500,000	–	–	–	–	500,000	0.033%

Note:

The share options were granted by COSCO International Holdings Limited ("COSCO International"), an associated corporation of the Company listed on the Stock Exchange, on 2 December 2004 pursuant to the share option scheme of COSCO International adopted on 17 May 2002 and amended by the shareholders of COSCO International at the special general meeting held on 5 May 2005. The share options are exercisable at an exercise price of HK$1.37 per share at any time between 29 December 2004 and 28 December 2014.

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

Name of associated corporation	Name of director	Capacity	Nature of interest	Exercise price HK$	Number of units of share appreciation rights: Outstanding at 1st January 2014	Granted during the period	Exercised during the period	Outstanding at 30th June 2014	% of total issued H share capital of the relevant associated corporation	Note
China COSCO Holdings Company Limited	Mr. LI Yunpeng	Beneficial owner	Personal	3.195	450,000	–	–	450,000	0.017%	(1)
				3.588	600,000	–	–	600,000	0.023%	(2)
				9.540	580,000	–	–	580,000	0.022%	(3)
	Mr. WAN Min	Beneficial owner	Personal	3.195	75,000	–	–	75,000	0.003%	(1)
				3.588	280,000	–	–	280,000	0.011%	(2)
				9.540	260,000	–	–	260,000	0.010%	(3)
	Mr. WANG Haimin	Beneficial owner	Personal	3.195	57,000	–	–	57,000	0.002%	(1)
				3.588	90,000	–	–	90,000	0.003%	(2)
				9.540	75,000	–	–	75,000	0.003%	(3)
	Mr. FENG Jinhua	Beneficial owner	Personal	3.195	100,000	–	–	100,000	0.004%	(1)
				3.588	90,000	–	–	90,000	0.003%	(2)
				9.540	85,000	–	–	85,000	0.003%	(3)
	Mr. TANG Runjiang	Beneficial owner	Personal	3.195	75,000	–	–	75,000	0.003%	(1)
				3.588	65,000	–	–	65,000	0.003%	(2)
	Mr. FENG Bo	Beneficial owner	Personal	3.195	75,000	–	–	75,000	0.003%	(1)
				3.588	90,000	–	–	90,000	0.003%	(2)
				9.540	85,000	–	–	85,000	0.003%	(3)
	Mr. WANG Wei	Beneficial owner	Personal	3.195	75,000	–	–	75,000	0.003%	(1)
				3.588	65,000	–	–	65,000	0.003%	(2)
				9.540	60,000	–	–	60,000	0.002%	(3)

Notes:

(1) The share appreciation rights were granted by China COSCO Holdings Company Limited ("China COSCO"), an associated corporation of the Company listed on the Stock Exchange and the Shanghai Stock Exchange, in units with each unit representing one H share of China COSCO, on 16 December 2005 pursuant to the share appreciation rights plan adopted by China COSCO (the "Plan"). Under the Plan, no shares of China COSCO will be issued. The share appreciation rights are exercisable at HK$3.195 per unit at any time between 16 December 2007 and 15 December 2015.

(2) The share appreciation rights were granted by China COSCO in units with each unit representing one H share of China COSCO on 5 October 2006 pursuant to the Plan. Under the Plan, no shares of China COSCO will be issued. The share appreciation rights are exercisable at HK$3.588 per unit at any time between 5 October 2008 and 4 October 2016.

(3) The share appreciation rights were granted by China COSCO in units with each unit representing one H share of China COSCO on 4 June 2007 pursuant to the Plan. Under the Plan, no shares of China COSCO will be issued. The share appreciation rights are exercisable at HK$9.540 per unit at any time between 4 June 2009 and 3 June 2017.

(4) During the period, no share appreciation rights mentioned above were lapsed or cancelled.

Save as disclosed above, as at 30 June 2014, none of the directors or chief executive of the Company had any interest or short positions in any shares or underlying shares or interest in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL INTEREST IN THE SHARE CAPITAL OF THE COMPANY

So far as is known to any directors or chief executive of the Company, as at 30 June 2014, the interest of shareholders in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

			Number of ordinary shares and derivatives/Percentage of total issued share capital as at 30 June 2014								
			Shares				Derivatives				
Name	Capacity	Nature of interests	Long positions	%	Short positions	%	Long positions	%	Short positions	%	Note
COSCO Investments Limited	Beneficial owner	Beneficial interest	213,989,277	7.35	–	–	–	–	–	–	(1)
COSCO Pacific Investment Holdings Limited	Beneficial owner and interest of controlled corporation	Beneficial interest and corporate interest	1,278,951,686	43.92	–	–	–	–	–	–	(1), (2)
China COSCO Holdings Company Limited	Interest of controlled corporation	Corporate interest	1,278,951,686	43.92	–	–	–	–	–	–	(1)
China Ocean Shipping (Group) Company	Interest of controlled corporation	Corporate interest	1,278,951,686	43.92	–	–	–	–	–	–	(1)
The Capital Group Companies, Inc	Interest of controlled corporation	Corporate interest	175,481,551	6.03	–	–	–	–	–	–	
BlackRock, Inc.	Interest of controlled corporation	Corporate interest	146,048,051	5.02	3,984,539	0.14	4,174,000	0.14	66,000	0.00	

Notes:

(1) The 1,278,951,686 shares relate to the same batch of shares of the Company. COSCO Investments Limited ("COSCO Investments") is a wholly owned subsidiary of COSCO Pacific Investment Holdings Limited ("COSCO Pacific Investment"). Accordingly, the 213,989,277 shares of the Company held by COSCO Investments are also included as part of COSCO Pacific Investment's interest in the Company. COSCO Pacific Investment is a wholly owned subsidiary of China COSCO and it itself held 1,064,962,409 shares of the Company beneficially. Accordingly, COSCO Pacific Investment's interest in relation to the 1,278,951,686 shares of the Company are also recorded as China COSCO's interest in the Company. China Ocean Shipping (Group) Company ("COSCO") held 52.80% interest of the issued share capital of China COSCO as at 30 June 2014, and accordingly, COSCO is deemed to have the interest of 1,278,951,686 shares of the Company held by COSCO Pacific Investment.

(2) The company changed its name to "China COSCO (Hong Kong) Limited" on 21 August 2014.

Save as disclosed above, as at 30 June 2014, the Company has not been notified of any other interest or short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Changes in directors' biographical details since the date of the 2013 annual report of the Company and up to the date of this report, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Name of director	Details of changes
Mr. WANG Haimin	• Appointed as the chairman of the Investment and Strategic Planning Committee and a member of the Nomination Committee and the Remuneration Committee of the Company with effect from 7 July 2014 • Resigned as a non-independent and non-executive director of COSCO Corporation (Singapore) Limited, a company listed in Singapore, with effect from 8 July 2014
Dr. WONG Tin Yau, Kelvin	• Retired as the chairman of The Hong Kong Institute of Directors
Mr. Adrian David LI Man Kiu	• Appointed as an executive director of The Bank of East Asia, Limited, a company listed on The Stock Exchange of Hong Kong Limited, with effect from 2 August 2014 • Appointed as a member of the Judging Panel of the 2014 BAI-Finacle Global Banking Innovation Awards • Retired as a steering committee member of the Asian Financial Forum
Mr. IP Sing Chi	• Appointed as an independent non-executive director of China Shipping Development Company Limited, a company listed on The Stock Exchange of Hong Kong Limited, with effect from 6 June 2014

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

DISCLOSURE UNDER RULE 13.22 OF CHAPTER 13 OF THE LISTING RULES

In relation to the financial assistance granted by the Group to certain affiliated companies, a proforma combined balance sheet of the affiliated companies as at 30 June 2014 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

	US$'000
Non-current assets	6,080,081
Current assets	1,836,781
Current liabilities	(1,317,013)
Non-current liabilities	(2,292,192)
Net assets	4,307,657
Share capital	122,317
Reserves	2,421,196
Non-controlling interest	1,764,144
Capital and reserves	4,307,657

As at 30 June 2014, the Group's attributable interests in these affiliated companies amounted to US$905,837,000.

CORPORATE GOVERNANCE

The Company continues to maintain high standards of corporate governance so as to promote transparency and ensure better protection of shareholders' interest as a whole. The Company has fully complied with all code provisions of the Corporate Governance Code set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2014.

BOARD COMMITTEES

Audit Committee

The Audit Committee of the Company comprises three independent non-executive directors of the Company. The Audit Committee has reviewed, in the presence of the internal and external auditors, the Group's principal accounting policies and the unaudited condensed consolidated interim financial information for the six months ended 30 June 2014.

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 the policy regarding Board diversity, and identifies individuals suitably qualified to become Board members and make recommendations to the Board and assessing the independence of all independent non-executive directors.

Other Board Committees

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the Company's code of conduct and rules governing dealings by all directors in the securities of the Company. Having made specific enquiry of all directors of the Company, they all confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2014.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company has not redeemed any of its shares during the six months ended 30 June 2014. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed shares during the six months ended 30 June 2014.

INVESTOR RELATIONS

COSCO Pacific has always regarded investor relations as an important aspect of corporate governance and has been seeking to further heighten the level of corporate information disclosure to make available to the market the development strategies and the latest business conditions of the Company. During the period, the Company participated in five investor conferences organised by investment banks and conducted 2013 final results roadshow in Hong Kong. The Company met with a total of 185 investors, analysts and media representatives through one-on-one and group meetings. The Company's management is committed to improving corporate governance performance. During the period, the Company was greatly encouraged by winning the Outstanding China Enterprise Award from Capital magazine for the third consecutive year.

CORPORATE SUSTAINABLE DEVELOPMENT

Environmental Protection

COSCO Pacific upholds measures and polities on environmental protection and improvement. As our business grows, we maintain our commitment to the environment and strive to minimize the environmental impact of our business operations.

The Group encourages its subsidiaries to introduce new energy-saving technologies to take into full consideration environmental protection issues while investing to enhance productivity. Following the successful completion of the research and development of high-power LED lamps at the end of 2013, the Group will first employ this new energy saving measure at six terminals to reduce lighting energy consumption by 60%. At terminals in mainland China in which the Group has a controlling shareholding, we have substituted fuel-powered equipment with electrical equipment and adopted potential energy recovery technologies for energy saving. We have completed 87% of the "fuel to electricity" retrofitting project for fuel engine hangers, and expect to reduce our fuel consumption significantly and boost the utilisation rate of clean energy. Moreover, the automated loading and unloading system at Xiamen Ocean Gate Terminal will launch a trial run by the end of October 2014. The terminal is expected to become the first zero-emission, fully-intelligent and automated model terminal project in China. In addition, Florens has improved the design of containers with the use of environmental friendly materials and conducted research on lightweight containers, which will contribute to the reduction in vessel loads and energy consumption.

Caring for the Community

The Group embraces its corporate citizenship by actively participating in social welfare and community services, contributing to the local communities where it operates its business. Florens donated containers to the international charitable organization INCLUDED to support its charity exhibition in Beijing this March. Employees of Xiamen Ocean Gate Terminal raised funds for the medical treatment of sick middle school students living in Hou Jing Village near the terminal. In May 2014, Taicang Terminal set up a charity fund in Taicang Aixin School, a school for children with special needs in the city of Taicang. Our local subsidiaries offer care and help the local communities through various means such as donating to local schools and social service agencies so as to join local efforts to build harmonious communities.

Employee-oriented Philosophy

As at 30 June 2014, COSCO Pacific had a total of 3,338 employees.

Employees are regarded as the most valuable asset at COSCO Pacific as part of its vision to build a team of dedicated staff that pursues excellence. The expansion of the Group's businesses has opened up valuable and sustainable career development opportunities for its employees. A wide range of training programmes are organized to enhance the management skills and professionalism of its staff. The Group has also focused on improving its incentive mechanism, optimizing the staff assessment system, and implementing an internal job rotation scheme with an aim to strengthening its talent training and helping its employees realize their full potential.

As part of our commitment to foster a corporate culture that encourages mutual understanding and the pursuit of excellence, the Group promotes cultural integration across regions. Through various activities aiming at facilitating better communication and understanding among employees in different positions and from different backgrounds, we have enhanced the sense of belonging among our employees, which will in turn translate into a driving force for sustainable development. In May 2014, a group of employees from Piraeus Terminal in Greece visited and exchanged ideas with their Chinese counterparts in China. The Greek employees were deeply impressed by the efficient operations at the terminals, and felt proud of being part of the Group.

As always, we are committed to providing a safe and healthy work environment for our employees. By perfecting our safety management mechanism and improving our equipment to ease the work of our terminal workers, more resources are allocated to provide our staff with protection measures. We have also organized various forms of safety education and drills to raise the awareness of occupational safety and health among our employees so as to provide comprehensive safety and health protection for our staff.

Commitment to Better Sustainable Development

The essence of sustainable development lies in the appropriate incorporation of the environmental, social and administrative considerations into our overall business strategy and operations. As part of this commitment, we need to enhance our operational efficiency, brand value and reputation, as well as the trust from our shareholders, customers, clients and communities in which we operate, with a view to maintaining economical efficiency and establishing advantages for our business.

The challenge facing by enterprises is to factor in various environmental, social and administrative requirements, and to create sustainable value when enhancing their strategic business objectives. A set of practical strategies for sustainable development would allow us to fulfill our environmental, social and administrative commitments through practical operational performance.

As the establishment of practical framework for sustainable development is a persistent effort rather than a once-and-for-all action, COSCO Pacific has appointed the Business Environment Council in Hong Kong as our advisor to assist the Company in laying the cornerstone for our longer-term strategy. Our ultimate goal is to establish strategic competitive strengths on long-term basis and create value for our shareholders in the long run by way of sustainable development and disclosure of information on our environmental, social and administrative efforts.

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 net 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.

MEMBERS OF THE BOARD

As at the date of this report, the Board comprises Mr. LI Yunpeng[2] (Chairman), 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 Haimin
Deputy Managing Director

Hong Kong, 26 August 2014

COSCO Pacific Limited
中遠太平洋有限公司
(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

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