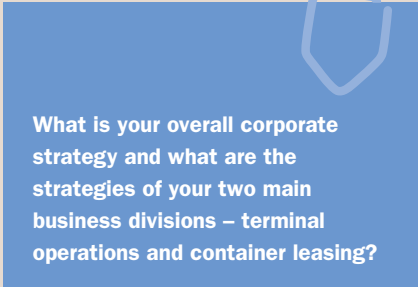


## Frequently Asked Questions



What is your overall corporate strategy and what are the strategies of your two main business divisions – terminal operations and container leasing?

**Overall – synergies within the Group:** Our overall strategy is to generate synergies between COSCO Pacific and parties within COSCO Group. The supply and logistics chain in port and shipping industries provides excellent synergies and we are well placed to develop them. For example, port operators want to see the support of sufficient cargo volume to maintain the utilisation rates so critical to ensure profitability. To enable this we are leveraging on COSCON's large world-class shipping liner, our significant customer. COSCON currently has an aggressive plan to increase its fleet capacity from 435,000 TEUs in 2007 to 700,000 TEUs by 2010 and to 800,000 TEUs by 2011. With this strong shipping fleet support, we certainly have competitive advantages for competing new port and terminal investments.

**Ports and Terminals – four strategies for growth:** We focus on ports and terminals as our principal earnings drive and constantly review our business structure so as to allocate most of our capital resources to develop the terminal business, with a focus on acquiring substantial stakes and the value that can come from those. We are aggressively seeking new investment opportunities and we have established four key strategies for transforming our terminal portfolio. They are:

- CONTROL** – To move from an investment-based to a controlling rights model
- GLOBALISE** – To move from a China focus to be a global player focused primarily on China
- DIVERSIFY** – To move from a container terminals business to a diversified terminals portfolio
- REVALUE** – To move from a focus on maximising profit to maximising enterprise value

**Container leasing – staying 'asset light':** In the container leasing business, we are continuing to implement our asset-light strategy, which in simple terms means that we are decreasing the percentage of self-owned container boxes, by divesting the boxes and entering into a service agreement with the purchaser. This strategy enables us to continue growing our business while freeing up financial resources which can be deployed in the terminal business.

### What are your growth targets?

In our terminal business, we plan to add an average of 20 berths per annum over the next couple of years, which would increase the total number of berths of COSCO Pacific to more than 200 by 2010. We expect a throughput CAGR of between 15-20% in the next three years.

### What's your outlook for profitability in the terminal business?

The profit contribution from the terminal business exceeded that from container leasing, management and sale division for the first time in 2007. We expect profits to continue to grow as we add berths at a fairly constant rate. Hence there are several projects, which we committed to years ago, which are now starting to contribute positively. Such as Ningbo Yuan Dong Terminals and Dalian Port Container Terminal. It is expected that both the profit from and the assets value of our terminal business will reach half of COSCO Pacific's total by 2010.

### Why does your company focus on acquiring substantial stakes of terminal assets?

Majority stakes render a higher level of operational and financial management. The company has the right to monitor the performance of terminal operations and participate in making decisions on key issues, including financing, capital structure and treasury policy, so as to play an important role to enhance the profitability of the terminal. It will allow us to be well positioned for an effective execution of our terminal strategy. Furthermore the company's enterprise value is to be enhanced by enjoying a market valuation premium from holding majority stakes.

### How do you use the asset light business model to develop owned and managed containers?

The asset light strategy refers to the business model of disposing the ownership of our leased containers while maintaining a management role over those containers on behalf of the buyer.

We receive disposal gain and charge the buyer a management fee of between 4%-8% of the operating profit of those sold containers, with operating costs borne by the buyers. Through this 'sale and managed back' business strategy, we are able to enhance our capital efficiency and lower our operational risk. It allows our operational team to focus on our core competence of providing excellent service to customers so as to enlarge our market share in the container leasing industry. The management fee and net gain from the disposal will further improve our cash flow and return on capital.

### What is COSCO Pacific's dividend policy?

The Company intends to maintain its payout policy given the current capital investment plan. Dividend policy is reviewed constantly against future investment plans, profitability and overall return on equity.