

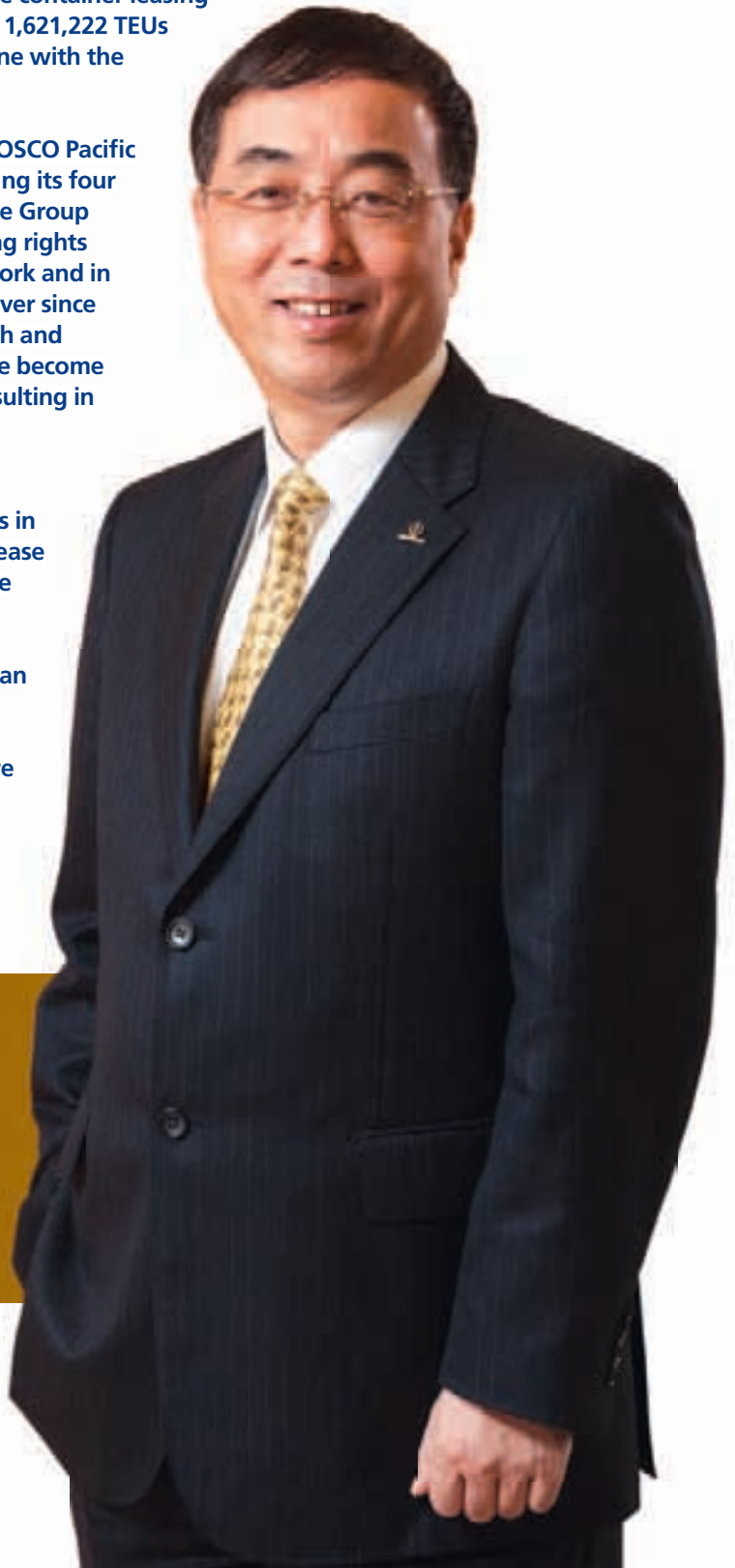
VICE CHAIRMAN'S REPORT

In 2008, COSCO Pacific's core businesses faced many challenges due to the global recession and financial tsunami. Despite the severe economic downturn, the Group's two core businesses, terminal and container leasing divisions, continued to deliver steady growth during the year. For the terminal business, the drop in China's exports in November and December of 2008 by 9.1% and 11.1% respectively, posed a certain negative impact on the Group's terminal throughput performance in China. However, the strong growth of the Group's overseas terminal business became a new engine for the overall satisfactory container terminal performance with its total throughput increased by 17.7% to 45,878,875 TEUs in 2008. For the container leasing business, the Group's container fleet grew by 6.7% to 1,621,222 TEUs and its utilisation rate remained at 94.6%, largely in line with the 94.5% in 2007.

In order to sustain the continuous business growth, COSCO Pacific further expanded its terminal portfolio by implementing its four transformation strategies in 2008. During the year, the Group made satisfactory progress in increasing the controlling rights in terminals, in expansion of the global terminal network and in further diversification of the terminal portfolio. However since the second half of 2008, due to the global credit crunch and deterioration of the business environment, banks have become more prudent and conservative in providing loans, resulting in increased difficulties in project financing.

The Group has strengthened the operational and risk management of its terminals, particularly for terminals in which the Group holds controlling stakes so as to increase their abilities to further enhance efficiency. Meanwhile it has been taking a prudent approach to its terminal investments. The selection criteria for new terminal investments have been tightened. The construction plan of terminals and the expansion of existing operating terminals have been slowed down. Furthermore, the Group has reduced substantially its capital expenditure on the purchase of new containers and the dividend payout ratio has been moderately adjusted. By these measures, COSCO Pacific endeavours to secure its sources of capital so as to optimise the long term development with stability and profitability.

The Group will adjust its investment program and business strategy so as to cope with the adverse economic slowdown in 2009.



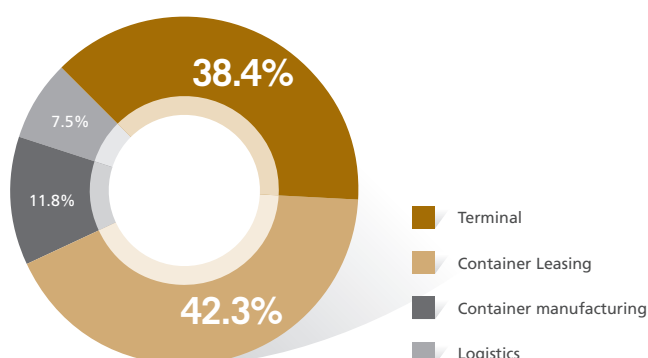
STABLE PERFORMANCE IN 2008

Revenue of the Group in 2008 reached US\$337,973,000, up 13.1% from 2007. Profit attributable to equity holders of the Company was US\$274,725,000. If the non-recurring gains of the financial gain of the put options of CIMC and profit from the disposal of interest in Chong Hing Bank in 2007 were excluded, the profit attributable to equity holders of the Company in 2008 declined slightly by 2.5% over 2007.

(US\$)	2008	2007	y-o-y change
Revenue ^{Note 1}	337,973,000	298,948,000	+13.1%
Profit attributable to equity holders of the Company	274,725,000	427,768,000	-35.8%
Profit attributable to equity holders of the Company ^{Note 2}	274,725,000	281,845,000	-2.5%

During the year, the Group's four core businesses, namely container terminal, container leasing, logistics, and container manufacturing, contributed an aggregate US\$333,609,000 of core business profit^{Note 3}, similar to last year. Profit contribution from the container terminal business was US\$128,232,000, fairly unchanged from 2007. Profit contribution from the container leasing business was US\$141,055,000, a 19.5% increase from 2007. Profit contribution from the container manufacturing business was US\$39,316,000, a 42.5% decline from 2007. Profit contribution of COSCO Logistics increased by 27.2% from 2007 to US\$25,006,000.

2008 core business profit contribution



Note 1: Revenue included revenues from container leasing and terminal related businesses. Among the 22 container terminal joint ventures in operations, the Company only holds controlling stakes in four of them (Quan Zhou Pacific Terminal, Zhangjiagang Win Hanverky Terminal, Jinjiang Pacific Terminal, and Yangzhou Yuanyang Terminal). Their revenues were consolidated into the Company's financial statements. For the other 18 terminal companies, their profit contribution or dividends were recorded according to their status as jointly controlled entities, associates, and available-for-sale financial assets.

Note 2: Excluding the major non-recurring gains for 2007, which, include the US\$55,181,000 financial gain of put options of CIMC and the US\$90,742,000 profit from disposal of interest in Chong Hing Bank. The above-stated put options of CIMC was the 424,106,507 put options granted to holders of CIMC tradeable A shares in 2006. As none of the put options of CIMC were exercised upon their expiry in 2007, the provision of US\$55,181,000 made in 2006 was fully written back in 2007.

Note 3: The above-stated profits did not include the Group's net interest expenses and corporate expenses.

STEADY DEVELOPMENT OF CONTAINER TERMINAL BUSINESS

During the year, the Group further strengthened its position as the world's leading container terminal operator, with market share increasing to 5.5%.

During the year, with the support of COSCO and China COSCO, COSCO Pacific successfully expanded its terminal business overseas. Witnessed by President Hu Jiantao of China and Prime Minister Kostas Karamanlis of Greece, Dr. Wei Jiafu, the President of COSCO, signed on behalf of COSCO Pacific a concession agreement of Piers 2 and 3 of Piraeus Port on 25th November 2008. The ratification law of the concession agreement was published in the Greek Government Gazette dated 30th March 2009.

The investment is one of the key projects of the Sino-Greek plan for further economic cooperation and development. This transaction also represents another success in expanding the Group's overseas terminal portfolio. Piraeus Port is the largest port in Greece. The total annual handling capacity of Piers 2 and 3 of Piraeus Port is expected to reach 3,700,000 TEUs by 2015 and it will become an important hub port for the Eastern Mediterranean region.

A Balanced Terminal Portfolio

As at 31st December 2008, the Group managed and operated 146 berths (2007: 140 berths) located in 19 ports in China and overseas, among which 124 berths (2007: 124 berths) were located in the 4 major coastal economic regions in China, including Bohai Rim, Yangtze River Delta, Pearl River Delta and Southeast Coast. The 22 overseas berths (2007: 16 berths) were located in Singapore, Port of Antwerp of Belgium, Port Said of Egypt, and Piraeus Port of Greece.

Container Throughput Increased by 17.7%

During the year, two container berths and one break-bulk cargo berth commenced operation. As at 31st December 2008, 99 berths (2007: 96 berths) were in operation, including 89 container berths (2007: 87 berths) with an annual container handling capacity of 48,150,000 TEUs (2007: 47,450,000 TEUs), and 8 break-bulk cargo berths (2007: 7 berths) with an annual handling capacity of 9,050,000 tons (2007: 7,550,000 tons). The other 2 berths were automobile berths. The Group's container throughput during the year was 45,878,875 TEUs, a 17.7% increase from 2007. Its break-bulk cargo throughput increased substantially by 70.9% to 13,655,223 tons.

VICE CHAIRMAN'S REPORT

Steady Growth in China Terminal Throughput

The Group has 79 (2007: 78) container berths operating in China, handling a total throughput of 41,147,419 TEUs in 2008, an increase of 11.1% from 2007. Throughput of container terminals in the Bohai Rim reached 17,103,887 TEUs, an increase of 6.4% from 2007, accounting for 37.3% of the Group's total throughput. Throughput of container terminals in Yangtze River Delta was 9,503,821 TEUs, an increase of 14.4% from 2007, accounting for 20.7% of the Group's total throughput. The throughput of container terminals in the Pearl River Delta and Southeast Coast was 14,539,711 TEUs, an increase of 14.9% from 2007, accounting for 31.7% of the Group's total throughput.

Satisfactory Performance of Overseas Terminals

The Group has 10 overseas container berths in operation (2007: 9), handling a total throughput of 4,731,456 TEUs in 2008, representing a substantial increase of 143.2% from 2007 and became one of the key growth drivers for the Group's container terminal business in 2008. The overseas container terminal throughput accounted for 10.3% (2007: 5.0%) of the Group's total throughput. Suez Canal Terminal made its first full-year contribution to the Group in 2008. Based on the original investment agreement, the COSCO-PSA Terminal added a new container berth in January 2008. In addition, operation of Antwerp Terminal became more mature and achieved a 37.8% growth in throughput during the year, adding momentum to the growth in throughput of overseas terminals.

FURTHER OPTIMISATION OF THE CAPITAL STRUCTURE OF CONTAINER LEASING BUSINESS

Facing a global economic slowdown and severe market competition during the fourth quarter of 2008, the Group continued to streamline the asset light business model and to expand steadily its container fleet capacity which comprises owned, managed and sale-and-leaseback containers and further strengthened its leadership in the industry. During the

year, the Group continued to be the world's second largest container leasing company, with a global market share of 13.6% (2007: 13.2%) and provided quality container leasing and management service to international container lines.

6.7% Growth in Container Fleet Size

As at 31st December 2008, the size of the Group's container fleet reached 1,621,222 TEUs (2007: 1,519,671 TEUs), an increase of 6.7% from 2007. In 2008, the average utilisation rate maintained at 94.6% (2007: 94.5%). The number of customers reached 300 (2007:280).

While increasing the number of managed containers, the Group continued to expand its owned container fleet. During the year, the Group purchased 152,752 TEUs of new containers (2007: 326,715 TEUs), including 64,802 TEUs (2007: 112,754 TEUs) of new containers that were ordered for COSCON, accounting for 42.4% (2007: 34.5%) of the Group's 2008 purchase of new containers. 87,950 TEUs of containers were purchased for international customers (2007: 213,961 TEUs), representing 57.6% (2007: 65.5%) of new containers purchased in the year.

US\$272,421,000 in Cash Received from Two Container Sales Transactions

During the year, the Group further optimised its capital structure by adopting the asset light business model. In March 2008, the Group sold 13,509 TEUs of containers for US\$22,421,000 and provided management services for the buyer after the sale. In July 2008, the Group also sold 118,094 TEUs of containers for US\$250,000,000 in cash by sale-and-leaseback transaction model. These two transactions raised US\$272,421,000 for the Group during the year.

As at 31st December 2008, the Group's fleet of managed and sale-and-leaseback containers increased to 874,020 TEUs, representing 53.9% of the total fleet. The fleet size of owned containers was 747,202 TEUs, representing 46.1% of the total fleet. Approximately 87% of the owned containers were on long-term leases to effectively lower the operating risks.

	2008(TEUs)	2007(TEUs)	y-o-y change
COSCON	551,219	517,311	+6.6%
Owned containers	433,125	517,311	-16.3%
Sale-and-leaseback containers	118,094	Nil	N/A
International Customers	1,070,003	1,002,360	+6.7%
Owned containers	314,077	239,742	+31.0%
Managed containers	755,926	762,618	-0.9%
Total	1,621,222	1,519,671	+6.7%

OTHER BUSINESSES

As at 31st December 2008, the Group owned a 49% interest in COSCO Logistics and a 21.8% stake in CIMC. COSCO Logistics and CIMC contributed US\$25,006,000 and US\$39,080,000 of profit to the Group, representing an increase of 27.2% and a decrease of 41.8% from 2007, respectively.

MAINTAINING A HEALTHY FINANCIAL POSITION

The Group arranged a 6-year club loan of US\$440,000,000 in April 2008. As at 31st December 2008, the Group's total outstanding loans amounted to US\$1,424,335,000 (2007: US\$914,034,000), with an average loan term of 4.4 years (2007: 5.0 years). The loans to be repaid in the coming two years amounted to US\$156,975,000, representing only 11.0% of the total outstanding loans. Apart from financing provided by banks, the Group also raised US\$272,421,000 by a sale-and-manage-back transaction in March and a sale-and-leaseback transaction in July, further increasing its cash position. As at 31st December 2008, cash balance of the Company was US\$429,041,000

As at 31st December 2008, the Group's net debt to equity ratio was 37.6% (2007: 19.0%). Interest coverage ratio was 6.2 times (2007: 10.0 times). While main capital expenditures increased to US\$893,381,000 in 2008 (2007: US\$856,177,000), the Group's overall financial position remained healthy.

Capital Expenses for the Terminal Business Mainly Used in Committed Projects and Terminal Expansions

COSCO Pacific's capital expenditure for the terminal business was US\$281,383,000 in 2008 (2007: US\$249,082,000), which was mainly used in committed terminal projects, as well as upgraded of existing terminal operation for enhancing its operating efficiency, expansion of facilities and purchase of machineries.

Purchase of New Containers Decreased by 53.2%

While focusing on developing the terminal business, the Group also considered it important to maintain a continuous development of its container leasing business. During the year, the Group added 152,752 TEUs of new containers (2007: 326,715 TEUs), a decrease of 53.2% from last year, for US\$348,008,000 (2007: US\$586,323,000). Approximately 82% of these new containers were on long-term leases to customers. In the first half of 2008, the Group added 138,162 TEUs of new containers (2007 1H: 184,931 TEUs). As the global economy slowed down in the second half of 2008, the Group added only 14,590 TEUs of new containers during the second half (2007 2H: 141,784 TEUs).

Increased Stake in CIMC to Enhance Vertically-Integrated Capabilities

In order to enhance its vertically-integrated capabilities in container-related businesses, the Group bought 148,320,037 CIMC's B shares from December 2007 to March 2008, representing a 5.57% interest in CIMC, at a cost of US\$274,480,000. Together with its original 432,171,843 A shares, the Group owns a total stake of 21.8% in CIMC. CIMC is the world's largest container manufacturer, with a global market share of about 50%.

OUTLOOK

Economies of the United States, European Union, Japan and other developed countries are already in recession, China's economy, which is mainly driven by the external sector, will also come under tremendous pressure. Under this challenging global economic environment, the business of terminal and shipping companies will be directly affected. Throughput has been falling substantially with intensified competition in the port industry.

Under this challenging business environment, COSCO Pacific will maintain its continual development through a series of strategies in 2009, including strengthening operation management, risk management, cost control and enhancement of efficiency. The Group is strengthening operation management of its terminals, particularly for terminals in which the Group owns controlling stakes and key terminals, with a view to increasing their abilities to enhance efficiency. One of the key priorities in 2009 is the preparation for the takeover of Piraeus Container Terminal in Greece on 1st October 2009.

VICE CHAIRMAN'S REPORT

Since the global credit crunch is yet to alleviate, and financial institutions continue to operate in a conservative and prudent manner, financing channels have been substantially narrowed. In 2009, COSCO Pacific will appropriately and timely adjust its investment and business operation strategies to enhance its ability to withstand risks.

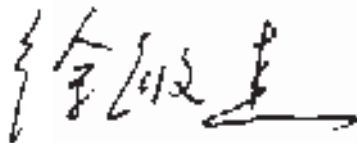
We take a number of measures to ensure safety of capital and appropriate allocation of funds. We closely monitor the changing capital market and review our capital expenditure program for terminal and leasing divisions regularly. For terminal investments, the selection criteria for new terminal investments have been tightened and the construction of newly invested terminals has been slowed down so as to reduce the capital expenditure. Investments in expansion of existing operating terminals have also slowed down and operating costs are under stringent control. For the capital expenditure of the container leasing business, we have substantially reduced the purchase of new containers.

In terms of financial management, we will strengthen our cash flow through different channels. The Board has proposed to moderately adjust the dividend payout ratio in 2008 to 40.0%. At the same time, shareholders are provided with a scrip dividend alternative. This measure will not only help the Company retain cash, but also provide an opportunity for shareholders to re-invest their dividend. We will adhere to our prudent financial strategy to secure its sources of capital so as to optimise the long term development with stability and profitability.

2009 is expected to be a year full of challenges. Despite the complex and challenging economic environment, with the support from the parent company and the efforts by our outstanding team, COSCO Pacific will further strengthen the competitiveness of its core businesses, and deliver an even higher quality of services to its customers. We will continue to adhere to the principle of prudent business management. By implementing stringent measures to control risks and enhancement in management, COSCO Pacific will strengthen its sustainable core competence and continue to steadily develop its business despite the difficult economic environment.

The sharp economic downturn has caused companies to cut back on costs and reduce inventories. However, once the efforts by governments around the world to stimulate the economy start to produce positive effects, demands for goods will increase and the global economy will start to recover. While it is difficult to predict when the economy will start to recover, COSCO Pacific has formulated its long term development plan and is accumulating momentum for the new development phase.

Finally, I would like to take this opportunity to thank all of our staff for the untiring efforts and outstanding contributions made during such a difficult business environment, which has resulted in the achievement of all the Group's goals and targets. Despite the challenges ahead in 2009, I firmly believe that, under the guidance of the Board of Directors of COSCO Pacific, all of our staff will dedicate our efforts to tackle these challenges and contribute to the steady growth of COSCO Pacific in the future.



XU Minjie
Vice Chairman and Managing Director
8th April 2009



