FREQUENTLY ASKED QUESTIONS

1. Is there any change to the business development strategy of your company amid the current global economic environment? What measures have you taken to weather the difficult economic environment and how will you seize opportunities once the market recovers?

A: COSCO Pacific's core businesses such as terminals and container leasing are operating under a challenging business environment due to the impact of the financial crisis. With the sharp slow down in the growth of China's imports and exports, container throughput began to contract in the fourth quarter of 2008, resulting in a drop in earnings of the Group's terminal business. Although the container leasing business continued to develop steadily and maintained a relatively high utilisation rate in the current market environment, the demand from container lines is expected to decline. Meanwhile, with a tight credit market and a deteriorating operating environment, banks have become more prudent and conservative in providing loans, adding more difficulties for funding of projects.

In response to the current economic situation, the Group has made appropriate adjustments to its business operation strategies in order to deal with the sudden changes in the market. However, terminals and container leasing will remain the focus of our development strategy. Regarding the development of its terminal business, COSCO Pacific will continue to focus on increasing controlling rights in terminals, expanding its global network, diversifying its terminal investment portfolio and enhancing the value of its terminal business. The Group will continue to steadily develop the container leasing business by implementing the asset light business model.

In addition, COSCO Pacific will further strengthen the management of investment risks, operational risks and financial risks and raise the awareness of risk management of our senior management team. The Group will also make its efforts to enhance the capabilities of its terminal companies, in particular, those in which the Group holds controlling interests, in withstanding risks and enhancing efficiency.

For new terminal investments, the Group will adopt a prudent and conservative strategy. The Group will adopt a prudent approach in selecting investment targets and assessing investment returns and risks. The Group will continue to have effective communications with cooperation partners and seize the appropriate opportunities for negotiations for new projects, so as to be fully prepared and to act proactively for the economic recovery.

2. COSCO Pacific's revenue increased by 13.1% in 2008, but its profit still fell by 2.5% even after deducting exceptional items for 2007. What is the reason for this?

A: Driven by the increase in the number of leased containers and the number of terminals in which the Group holds controlling stakes, COSCO Pacific recorded a revenue of US$337,973,000, an increase of 13.1% from the previous year (2007: US$298,948,000).

In 2008 the profit attributable to equity holders reached US$274,725,000, including profits from subsidiaries, jointly-controlled entities, associates and other investment of the Group. This number dropped by 2.5%, if compared with 2007's profit of US$281,845,000 after deducting non-recurring income. Within the reporting year, the Group's two major businesses continued to grow steadily. Profit contribution from the container leasing business reached US$141,055,000[Note], a 19.5% increase from the prior year. Profit contribution from the terminal business was US$128,232,000[Note], largely unchanged from 2007. COSCO Logistics contributed US$25,006,000[Note] of profit to the Group, an increase of 27.2% from 2007. The container manufacturing business contributed US$39,316,000[Note] of profit to the Company, falling by 42.5%, mainly due to a substantial decrease in profit of CIMC caused by the suspension of production of some of its dry cargo container manufacturing factories in the fourth quarter of 2008 and the resulting provisions for inventory impairment.

Note: Net interest cost are excluded from the above mentioned "profit contribution".

3. How will the Group plan its financing activities in 2009?

A: The Group is always committed to establishing a mutual trust with its shareholders and the financial industry and has been known for its goodwill and reputation in capital markets. The Group has strong fundraising capability and has maintained reliable funding sources for business development. Since the IPO in 1994, the Group has been raising funds primarily through issuing bonds and obtaining bank loans which were used to pay part of its capital expenditures and matured loans. The remainder of the Group's capital expenditures were paid by cash generated from operations and disposal of assets.

As at 31st December 2008, the Group had US$429,041,000 in cash. The Group will continue to use existing funds, cash flow from operation, sale of containers and newly obtained loans and other financing tools that could help reduce the Group's capital cost, and continue to adopt a prudent financial strategy to get well prepared for the working capital required in 2009.

4. What is the outlook for COSCO Pacific's terminal business in 2009?

A: In 2009, the growth of global container throughput will be affected by the economic slowdown and it is difficult to predict when the economy will recover. Facing a tight credit market and a deteriorating operating environment, the Group inevitably needs to strategically adjust the pace of investments in terminals and the expansion of existing terminals.

The Group expects a decline in throughput for most of its operating terminal companies in 2009. As the Group will strategically slow down the pace of putting new terminals into operation, the throughput growth contribution from new terminals will not be significant. Furthermore, due to the decline of global container shipping volume, terminal companies have to consider providing more discounts to major container lines in order to maintain stable container terminal throughput. Therefore, the Group expect a downward pressure on the average tariff in 2009.

The Group has been building long term relationship with global shipping lines in developing and operating its terminals. With the quality terminal services, strong background of business partners and the support from COSCON and other international shipping lines, the Group's terminal companies have maintained their relative competitive advantages, resulting in lower operational risks in this difficult market situation.

The Group has been focusing on investing in container terminals in China, while at the same time expanding the network of terminals abroad. Today, our balanced portfolio comprises terminals in the four key regions in China as well as overseas terminals. To further diversify the Group's terminal portfolio to lower investment risks, the Group has not only invested in international hub ports along coastal China, but also in feeder ports that support domestic trades and international shipping lines. The Group believes that a diversified and balanced terminal portfolio will help lower the impact of the global economic downturn on the terminal business and enable it to benefit once the economy starts to recover.

5. What are the prospects of the investment in Piraeus Port in Greece?

A: Piraeus Port is the largest port and the major centre for gateway and transhipment container traffic in Greece. Given its prime location, this port is also an important transhipment hub in Eastern Mediterranean. The container terminal of Piraeus Port provides transhipment container handling services for international liner operators in connection with regions of Eastern Europe, the Mediterranean, the Balkans and Black Sea. It is expected that the trade activities and the demand of shipping and terminal services between China and those regions will increase steadily and have a positive outlook in future. Therefore, the Group's investments in the operation and development of Piers 2 and 3 of Piraeus Port will play a strategic role for business development of COSCO, China COSCO and COSCO Pacific in those regions mentioned above.

The Group's terminal management team has extensive expertise in managing international container terminals. It will dedicate its effort to manage and develop Piers 2 and 3 of Piraeus Port to be an efficient terminal to provide comprehensive services to customers by quality terminal management and newly added capacity. With the support of COSCON and other international shipping lines, the Group is confident that the terminal will become an important transshipment hub in the regions of Eastern Europe, the Mediterranean and Black Sea.

The Group will take over and manage Pier 2 of the Piraeus Port on 1st October 2009, which has a total handling capacity of 1,600,000 TEUs per year. The Group will then commence the expansion of Pier 2 and the construction of Pier 3. Following the completion of these projects by the end of 2015, the total annual handing capacity of Pier 2 will increase by 1,000,000 TEUs to 2,600,000 TEUs. The annual handling capacity of Pier 3 will reach 1,100,000 TEUs. The combined annual handling capacities of Piers 2 and 3 will be 3,700,000 TEUs.

6. What is the outlook for the container leasing business in 2009?

A: In 2009, we expect further slowdown in the global economy and a decline in trade volume, as a result of the recessions in Europe and the United States. The Group will continue to streamline the asset light business model to expand steadily its container fleet capacity which comprises owned, managed and sale-and-leaseback containers.

As at the end of 2008, the size of the Group's container fleet reached 1,621,222 TEUs, among which 747,202 TEUs were owned containers (representing 46.1% of the total fleet). 433,125 TEUs were leased to COSCON, accounting for 58.0% of the total owned containers. All the containers leased to COSCON were on 10-year long term leases, providing the Group a stable income source and help lower its operating risks. The remaining 314,077 TEUs were leased to other international customers, accounting for 42.0% of total owned containers. These containers could be the assets for the future sale-and-manage-back transactions.

In addition, the Group sold and leased back 118,094 TEUs of containers (accounting for 7.3% of the total fleet) in July 2008, all of which continued to be leased to COSCON. In other words, COSCON leased from the Group a total of 551,219 TEUs of containers as at 31st December 2008.

Since 2006, the Group has been adopting the asset light business model by selling and managing back containers. As at the end of 2008, the managed containers reached 755,926 TEUs (accounting for 46.6% of the total fleet).

Meanwhile, the Group will continue to exercise a strict control over capital expenditure and operating costs so as to maximize operational efficiency. The Group will also closely monitor the global economy and market trends, and come up with appropriate measures to effectively control risks. It will take a prudent yet proactive approach in facing upcoming challenges and plan ahead for the recovery of the economy.

7. How is the Company's dividend policy determined?

A: The Company has always been committed to enhancing shareholders' returns. Since becoming a constituent stock of the Hang Seng Index in 2003, it has maintained a dividend payout ratio of about 56%. While making a decision on the payout of dividends, the Board of Directors takes into account the supply of capital required for the Company's development. In view of the economic downturn in 2008 which generated uncertainties for the economic and capital market outlook in 2009, we expect the financial sector to remain under heavy strain making the funding of capital to be difficult and the cost of capital to be likely increased.

Very careful consideration has been given to the persistent illiquidity of financial market, resulting in the Board of Directors' decision to moderately adjust the dividend payout ratio to 40.0% (2007: 56.6%) so as to retain more cash for the Company. The board has proposed a final dividend of HK10.7 cents per share for the fiscal year 2008. Together with the interim dividend of HK27.4 cents per share paid on 19th September 2008, the full-year dividend for 2008 will be HK38.1 cents per share, down by 48.1% from the prior year.

In addition, the Company is providing a scrip dividend alternative so that its shareholders may have a choice of reinvesting their cash into the Company. This is the first time the Company will provide a scrip dividend alternative. In addition to preserving cash for the Company, this arrangement provides long-term shareholders a chance to further invest in the Company. Management of the Company is confident that the dividend payout ratio is still relatively high among peer companies following the adjustment. The Company will consider increasing the ratio when the market recovers.