

Frequently asked questions

Q: What is the Five-year Development Plan of COSCO Pacific?

A: Our management has conducted serious and detailed studies on the corporate strategies for the years 2003 - 2007 to ensure healthy and stable long term development. We have examined the operating environment, our internal resources and have formulated our strategies through corporate strategy selection process. In the coming five years, COSCO Pacific plans to establish its leading positions in a threefold dimension: container leasing, container terminal operations and logistics service. Among which, container terminal operations and logistics service contribute high-yield growth momentum while the container leasing business provides a steady income stream.

Q: The price and rental of containers have been falling for the past years, as an industry leader, how does COSCO Pacific view the long term development of the container leasing business?

A: Following the increase in supply of containers and the decline in container price due to the robust growth of container manufacturing business in China since 1990's, the leasing rate of container has also declined accordingly. The current container price has already reached a relatively low and stable level without much room for further downward adjustment. It is expected that the container price would go up as China's economy continue to develop rapidly, which results in a greater demand for containers. In view of the continuous growth of global trade and economy, container sea freight industry will also expand. The growth potential of the industry is enormous as it is estimated that only approximately 50% of maritime cargoes are containerised, with an increase of 5 – 6% each year in the coming few years. Container leasing industry is expanding its value-added services to shipping companies so as to achieve a win/win situation with their clients. At present, container leasing industry accounts for approximately 45% of the total volume in the world by TEU measurement and this ratio will remain stable at 45% level in the coming

years. Accordingly, the container leasing industry should continue to grow steadily on a long term perspective.

Q: Both throughput and profits of the terminals of COSCO Pacific achieve better growth but COSCO Pacific does not have significant shareholdings in such terminals, can you explain your strategy in the investment of terminals?

A: COSCO Pacific invests, operates and manages terminals. We have accumulated extensive experience and gathered a team of excellent staff. For those terminals in which we have controlling shareholdings or major shareholdings (for example, Zhangjiagang Win Hanverky Terminal, COSCO-HIT and Qingdao Cosport International Terminals), we involve directly and extensively in the operation and management. For terminals with less shareholdings (for example, Shanghai Pudong International Container Terminals), we actively engage ourselves in their operation and management through appointment of our management staff. COSCO Pacific has been focusing on container terminals in China and overseas hub port projects. We intend to increase terminals with controlling shareholdings or equity interests not less than 20% and will attempt to participate more in the operation and management of all the terminals in which we have interests.

Q: COSCO Pacific has maintained a very low gearing ratio since the outbreak of Asian financial turmoil, how could COSCO Pacific increase its return on equity in future?

A: COSCO Pacific will continue to expand its core businesses. The container purchase plan for 2003 is 105,200 TEUs. Total investment is approximately US\$156 million. In respect of the container terminal business, the Company completed the acquisition of 17.5% equity interests in Shekou Container Terminals in December 2002 and the acquisition of 20% equity interests in the Shanghai Pudong International Container Terminals in February 2003. To further strengthen our market share and earnings from container terminals, the Company is looking into

various terminal investment projects in the Pearl River Delta, the Yangtze River Delta and the northern China. Upon completion of these acquisition plans, our net debt-to-equity ratio will be increased and the return on shareholders' equity will be enhanced.

Q: What is the purpose of establishing the three committees, namely, Investment and Strategic Planning Committee, Corporate Governance Committee and Risk Management Committee?

A: The establishment of these three committees aims to improve board efficiency. These committees are formed by executive directors of the Board and respective professionals within our management. We are also planning to set up Nomination Committee and Remuneration Committee to improve the monitoring of our Board.

In order to achieve a higher standard of corporate governance, our Board of Directors and management are committed to implementing a higher standard of corporate governance. This, we believe, should protect the long term interests of our shareholders.

Risk management is an important part for the operation of the Company. Our Board of Directors and management attach great importance to risk management and have formulated a series of internal review and control system for risk management. This system is directly under the control and management of the Managing Director. We have also set up various specific internal review and control systems for such risk factors as on operation, investment, finance and legal matters, which are under the control of the senior management.

Q: How does COSCO Pacific strengthen its investor relations?

A: We believe that good investor relations plays an essential part in creating shareholders' value. It is a corporate marketing activity combining the disciplines of communications and finance that aims to provide present and potential investors with an accurate portrayal of a company's performance and prospects.

Conducted effectively, investor relations can have a positive effect on a company's total value relative to that of the overall market and a company's cost of capital.

We conducted investor relations by:

- monitoring the market and investors' expectations and concerns
- participating in investors forum to strengthen communication with investors and present our information to them
- regularly meeting with fund managers and analysts
- regularly updating the public about our latest business operations
- explaining our strategies to investors
- keeping a high standard of transparency
- maintaining best practice in terms of disclosure of corporate information

Good investor relations can help our share price to reflect the intrinsic value of our Company and its performance. COSCO Pacific's share price was up 59.0% at the end of the year, mentioned as a "stellar" performance in Asia Pacific conglomerates universe. As at 26th March 2003, our market capitalisation reached HK\$15.2 billion, representing 5.6 times our value when listed in 1994.

Our communications with investors are conducted and closely monitored by top management. We endeavour to provide sufficient channels for investors to communicate with our senior management on a frequent basis. We deliver precise, concise and accurate corporate information to investors and the public at large. Starting from 2003, we plan to update fund managers and analysts about our latest business operations on a quarterly basis in addition to our interim and final results announcements.