



**COSCO Pacific Limited**  
(Incorporated in Bermuda with Limited Liability)

**2008 Final Results**

**Long Range Planning: Bringing Fruit to Long Term Stability and Profitability**

The Board of Directors of COSCO Pacific Limited ("COSCO Pacific" or the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December 2008. Despite of the precipitous decline in global economy and worsening market conditions arose in 2008, the Group has maintained a stable financial performance for the difficult year.

- Profit attributable to equity holders of the Company decreased by 35.8% to US\$274,725,000 (2007: US\$427,768,000)
- Excluding the two non-recurring gains in 2007, profit attributable to equity holders of the Company should have decreased slightly by 2.5% to US\$274,725,000 (2007: US\$281,845,000). The two non-recurring gains were financial gain of the put options of China International Marine Containers (Group) Co., Ltd. ("CIMC") amounted to US\$55,181,000 and gain on disposal of interest in Chong Hing Bank Limited of US\$90,742,000
- Propose a final dividend of US1.382 cents (2007: a final dividend of US3.924 cents and a special final dividend of US2.296 cents). The dividend will be payable in cash along with a scrip dividend alternative, this arrangement provides shareholders with an opportunity to reinvest in the Company
- Full-year dividend was US4.896 cents (2007: US9.406 cents) with a payout ratio of 40.0% (2007: 56.6%) <sup>note</sup>, this adjustment to payout ratio will retain more cash for the Company amid the difficult economic and capital market conditions in 2009
- With a further strengthened leading position in the industries, the Group was ranked as the world's fifth largest container terminal operator and the world's second largest container leasing company
- Total throughput of container terminals rose by 17.7% to 45,878,875 TEUs
- Successfully bid for a concession to operate and develop Piers 2 and 3 of the Piraeus Port in Greece
- Container fleet size increased by 6.7% to 1,621,222 TEUs
- Retrieved US\$272,421,000 in cash through successful completion of two container sales transactions under asset light model, which further optimised the business model and capital structure of the container leasing business

*Note: Excluding the financial gain of the put options of CIMC in 2007*

## **Results Highlights: Despite Financial Tsunami, Overall Results Remained Stable**

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. Profit attributable to equity holders of the Company was US\$274,725,000, a slight decrease of 2.5% as compared to US\$281,845,000 recorded last year (excluding the financial gain of CIMC put options associated with the CIMC share reform of US\$55,181,000 and profit of US\$90,742,000 generated from the disposal of 20% equity interest in Chong Hing Bank in 2007).

During the year, the Group's four core businesses, namely container terminals, container leasing, logistics, and container manufacturing, contributed an aggregate core profit of US\$333,609,000 (excluding the net finance costs and corporate net expenses), which was similar to that of last year. Profit contribution from container terminal business was US\$128,232,000, largely unchanged from 2007. Profit contribution from container leasing business was US\$141,055,000, a 19.5% increase from 2007. Profit contribution from logistics business rose 30.0% from 2007 to US\$25,006,000. Profit contribution from container manufacturing business was US\$39,316,000, a 42.5% decline from 2007.

### **Dividend Distribution**

COSCO Pacific has always been committed to enhancing shareholders' returns. Since becoming a constituent stock of the Hang Seng Index in 2003, we have been maintaining a stable dividend payout ratio of 56.6%. When making a decision on the payout of dividends, the Board of Directors took into account the supply of capital required for the Company's development. In view of the economic downturn in 2008 and uncertainties associated with 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. Very careful consideration has been given to the adverse and unstable conditions of the 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 US1.382 cents per share for the fiscal year 2008. Together with the interim dividend of US3.514 cents per share, the full-year dividend for 2008 will be US4.896 cents per share, or a full-year payout ratio of 40.0% (2007: 56.6%). Shareholders are given an option to receive shares in lieu of cash dividend ("scrip dividend alternative"). This is the first time the Company offers a scrip dividend alternative. In addition to preserving cash for the Company, this arrangement provides long-term shareholders with an opportunity to reinvest in the Company. Management of the Company is confident that its dividend payout ratio is still relatively high among peer companies following the adjustment and the Company will consider increasing the ratio when the market recovers.

### **Terminals: Maintained Stable Growth**

The Group further strengthened its market position as the world's leading terminal operator by adjusting its development strategy through an emphasis on obtaining a controlling stake in new terminal investments, expanding the global terminal network and further diversifying its terminal investments. During the year, COSCO Pacific continued to rank as the world's fifth largest container terminal operator, capturing a 5.5% global market share.

COSCO Pacific's container throughput maintained a steady growth in the first three quarters in 2008. However, with the impact of the financial tsunami on global container trade which gradually emerged in the fourth quarter, the growth in the Group's container throughput slid significantly in the fourth quarter. The year-on-year growth in the fourth quarter slid to 7.7% as compared to a 19.5% year-on-year growth

recorded in the third quarter. Throughput of the full year rose 17.7% to 45,878,875 TEUs. Profit contribution from the container terminal business was US\$128,232,000, largely unchanged from 2007.

The Group's terminal companies in all major regions in China have recorded different levels of throughput growth during the year. The throughput in Bohai Rim increased by 6.4% to 17,103,887 TEUs, accounting for 37.3% of the total throughput. The single-digit growth was due to a slower growth in Qingdao Qianwan Terminal. The throughput in Yangtze River Delta rose by 14.4% to 9,503,821 TEUs, accounting for 20.7% of the total throughput. This was mainly driven by Ningbo Yuan Dong Terminal which commenced operation in 2007. The throughput in Pearl River Delta and Southeast Coast reached 14,539,711 TEUs, an increase of 14.9% year-on-year, accounting for 31.7% of the total throughput. The growth was mainly driven by Guangzhou South China Oceangate Terminal, which commenced operation in 2007. Throughput of overseas terminals reached 4,731,456 TEUs, a year-on-year surge of 143.2%, accounting for 10.3% of the total throughput. The drastic increase was due to the first full-year contribution from Suez Canal Terminal. On the break-bulk cargo side, two break-bulk cargo berths at Yangzhou Yuanyang Terminal commenced operation in December 2007, which drove the Group's break-bulk cargo throughput to rise to 13,655,223 tons, a 70.9% year-on-year growth.

<b>Throughput of Container Terminals in 2008</b>	<b>2008 (TEUs)</b>	<b>2007 (TEUs)</b>	<b>y-o-y</b>
<b>Bohai Rim</b>	<b>17,103,887</b>	<b>16,080,786</b>	<b>+6.4%</b>
Qingdao Qianwan Container Terminal Co., Ltd.	8,715,098	8,237,501	+5.8%
Qingdao Cosport International Container Terminals Co., Ltd.	1,099,937	1,005,439	+9.4%
Dalian Port Container Co., Ltd.	2,742,503	2,873,474	-4.6%
Dalian Port Container Terminal Co., Ltd.	1,656,968	850,359	+94.9%
Tianjin Five Continents International Container Terminal Co., Ltd.	1,938,580	1,988,456	-2.5%
Yingkou Container Terminals Company Limited	950,801	1,125,557	-15.5%
<b>Yangtze River Delta</b>	<b>9,503,821</b>	<b>8,307,080</b>	<b>+14.4%</b>
Shanghai Pudong International Container Terminals Limited	2,779,109	2,723,722	+2.0%
Shanghai Container Terminals Limited	3,681,785	3,446,135	+6.8%
Ningbo Yuan Dong Terminals Limited	903,865	331,361	+172.8%
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	710,831	601,801	+18.1%
Yangzhou Yuanyang International Ports Co. Ltd.	267,970	253,772	+5.6%
Nanjing Port Longtan Container Co., Ltd.	1,160,261	950,289	+22.1%
<b>Pearl River Delta and Southeast Coastal Areas</b>	<b>14,539,711</b>	<b>12,649,235</b>	<b>+14.9%</b>
COSCO-HIT Terminals (Hong Kong) Limited	1,752,251	1,846,559	-5.1%
Yantian International Container Terminals Co., Ltd.	9,683,493	9,368,696	+3.4%
Guangzhou South China Oceangate Container Terminal Co. Ltd	2,000,130	577,196	+246.5%
Quan Zhou Pacific Container Terminal Co., Ltd.	910,058	856,784	+6.2%
Jinjiang Pacific Ports Development Co., Ltd.	193,779	-	N/A
<b>Overseas</b>	<b>4,731,456</b>	<b>1,945,504</b>	<b>+143.2%</b>
COSCO-PSA Terminal Private Limited	1,247,283	833,892	+49.6%
Antwerp Gateway NV	1,091,657	792,459	+37.8%
Suez Canal Container Terminal S.A.E.	2,392,516	319,153	+649.6%
<b>Total container throughput in China</b>	<b>41,147,419</b>	<b>37,037,101</b>	<b>+11.1%</b>
<b>Total container throughput</b>	<b>45,878,875</b>	<b>38,982,605</b>	<b>+17.7%</b>
<b>Total throughput of break-bulk cargo (Tons)</b>	<b>13,655,223</b>	<b>7,989,609</b>	<b>+70.9%</b>

## **Expansion Strategy**

The Group successfully bid for a concession to operate and develop Piers 2 and 3 of the Piraeus Port in Greece. The duration of the rights is 30 years and is extendable for 5 years. This marked the corner stone for the Group as this is the first wholly-owned terminal venture of the Group. COSCO Pacific and its wholly-owned subsidiary, Piraeus Container Terminal S.A. signed the concession agreement with Piraeus Port Authority S.A. on 25th November 2008. President Hu Jintao of China and Prime Minister Kostas Karamanlis of Greece attended and witnessed the signing ceremony.

COSCO Pacific will undertake the concession through its wholly-owned subsidiary, Piraeus Container Terminal S.A., to develop and operate Piers 2 and 3 of the Piraeus Port in Greece. COSCO Pacific will take over and operate Pier 2, which has an annual handling capacity of 1,600,000 TEUs, on 1st October 2009. The Group will commence the upgrade of Pier 2 and construction of Pier 3 shortly afterwards. These projects are expected to be completed by the end of 2015. Upon completion, the annual handling capacity of Pier 2 will be increased by 1,000,000 TEUs to 2,600,000 TEUs and Pier 3 will have an annual handling capacity of 1,100,000 TEUs. The combined capacity of the two piers will reach 3,700,000 TEUs.

## **Container Leasing, Management and Sale: Maintained Stable Performance**

COSCO Pacific's container leasing, management and sale businesses are operated and managed by its wholly-owned subsidiary, Florens Container Holdings Limited and its subsidiaries ("Florens"). In the face of intense competition in the market and the global economic slowdown, Florens further streamlined its asset light business model and grew its fleet at a steady pace, which combined an operating fleet of owned, managed and sale-and-leaseback containers, and further strengthened its leading position in the industry. During the year, Florens remained the world's second largest container leasing company, accounting for approximately 13.6% of the global container leasing market, up 0.4 percentage point year-on-year.

In 2008, the overall average utilisation rate was 94.6%, up 0.1 percentage point year-on-year. The average fleet age was 4.15 years, an increase of 0.4 year from 2007. During the year, the profit contribution from container leasing, management and sale businesses increased 19.5% year-on-year to US\$141,055,000.

As at 31st December 2008, the fleet size of the Group's owned, managed and sale-and-leaseback containers reached 1,621,222 TEUs, representing a year-on-year increase of 6.7%. The fleet size of the owned containers was 747,202 TEUs, a decrease of 1.3% from 2007, accounting for 46.1% of the total container fleet. The size of the managed container fleet reached 755,926 TEUs, a decline of 0.9% from 2007, forming 46.6% of the total fleet. A sale-and-leaseback model was introduced in July 2008, as at year end, the size of sale-and-leaseback container fleet reached 118,094 TEUs, representing 7.3% of the total fleet.

Whilst expanding its business in the sale-and-manage-back model, the Group kept abreast of the market developments and continued to develop its owned containers fleet. In 2008, the Group purchased 152,752 TEUs of new containers (2007: 326,715 TEUs).

During the year, the returned containers disposed of by the Group totalled 34,043 TEUs (2007: 56,759 TEUs). The Group generated US\$39,352,000 of sales proceeds from the disposal of returned containers, down 31.0% year-on-year. Profit before tax from the disposal amounted to US\$7,094,000, up 7.8% year-on-year.

In order to further optimise the business model and capital structure of the container leasing business, during the year, the Group continued to use asset light model to increase the source of capital. In March 2008, the Group sold 13,509 TEUs of containers for US\$22,421,000 and subsequently provided management service to the buyer. In July 2008, the Group retrieved US\$250,000,000 in cash through a sale-and-leased back transaction for 118,094 TEUs of containers. The two sales transactions provided the Group with a total of US\$272,421,000 cash.

## **Logistics**

The Group owns a 49% stake in COSCO Logistics Co., Ltd. ("COSCO Logistics"), whose major business includes third party logistics, shipping agency services and freight forwarding. During the year, the profit contribution from COSCO Logistics for the Group amounted to US\$25,006,000, a 27.2% increase from 2007.

## **Container Manufacturing**

The Group holds a 21.8% stake in CIMC, which is the world's largest container manufacturer, producing more than 50% of the containers in the global market. The global economy downturn has caused a sharp contraction in the container shipping market in the second half of 2008, resulting in a decline in demand for new containers. This led to a relatively sharp decline in the profit of CIMC. As a result, the profit contribution from the container manufacturing business for the Group declined by 42.5% to US\$39,316,000.

## **Overall Management and Awards**

COSCO Pacific is committed to the continual enhancement of its investor relations and corporate governance practices and it has won wide acclaim from the market in 2008. In terms of corporate governance, the Company received the Corporate Governance Asia Recognition Award 2008 from the Corporate Governance Asia magazine and was named one of the best companies in China in the Corporate Governance Award 2008 by The Asset magazine. The Company was given the Hong Kong Outstanding Enterprise by the Economic Digest (Hong Kong) magazine. In terms of investor relations, the Company was awarded Most Progress in Investor Relations by IR magazine. The Company's legal team received the Shipping In-House Team of the Year award by Asian Legal Business (ALB), a well recognized law profession magazine. In addition, COSCO Pacific's corporate website won two bronze prizes in the categories of Stakeholder Communications and Website Redesign by iNOVA Awards.

COSCO Pacific attaches great importance in enhancing shareholder returns. In November 2008, the Company became a constituent of the Dow Jones Global Select Dividend Index, Dow Jones EPAC Select Dividend Index and Dow Jones Asia/Pacific Select Dividend 30 Index.

## **Prospects: Plan Ahead for Market Recovery**

Looking ahead, 2009 is expected to be shrouded with unprecedented challenges. The global recession will inevitably result in a further decline in container shipping volume. China is also facing a very challenging external trade situation. During the first two months this year, China's trade volume and port throughput have declined by 27.2% and 15.0% respectively in compare with the same period of 2008, resulting in a substantial impact on the Group's core businesses. The terminal and container leasing industries are in difficult situation which is highly likely to last for the full year.

To meet challenges ahead, COSCO Pacific continues to adopt prudent financial policy while risk management is being the key control measure in this economic downturn. Moreover, with the strong support from China Ocean Shipping (Group) Company, China COSCO Holdings Company Limited and

COSCO Pacific will fully leverage its synergy so as to strengthen our core competence in managing our business in volatile markets. The Company will also further strengthen its cooperation with terminal business partners so as to overcome difficulties ahead and to make solid progress towards its long-term development targets. COSCO Pacific is confident that its long range planning will allow the Company to chart a safety course amid the current financial storm which should bring fruit to its long term stability and profitability for its shareholders.

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Details of the 2008 final results announcement will be available in our website (<http://www.coscopac.com.hk>) and the website of Hong Kong Exchange and Clearing Limited (<http://www.hkex.com.hk>). For further inquiry, please contact:

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