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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transfer all your shares in COSCO Pacific Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of COSCO Pacific Limited.



COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

**DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF INTEREST IN CHINA INTERNATIONAL MARINE
CONTAINERS (GROUP) CO., LTD.**

Financial Adviser to COSCO Pacific Limited



CITIGROUP GLOBAL MARKETS ASIA LIMITED

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



CLSA EQUITY CAPITAL MARKETS LIMITED

A letter from the Chairman of COSCO Pacific Limited is set out on pages 4 to 17 of this circular and a letter from the Independent Board Committee is set out on page 18 of this circular. A letter from CLSA containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 35 of this circular.

A notice convening a special general meeting of the Company to be held at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong on Tuesday, 5 October 2004 at 2:30 p.m. is set out on pages 47 to 49 of this circular. Whether or not you are able to attend, you are requested to complete and return the enclosed form of proxy in accordance with the instruction printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

10 September 2004

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“A Shares”	the RMB-denominated domestic A shares in the capital of CIMC listed on the Shenzhen Stock Exchange
“Acquisition”	the proposed acquisition of the CIMC Shares by the Purchaser pursuant to the Agreement
“Agreement”	the agreement dated 19 August 2004 between the Purchaser and COSCO in relation to the acquisition of 163,701,456 non-publicly tradable State-owned legal person shares in CIMC, representing approximately 16.23% of the issued share capital of CIMC as at 30 June 2004
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“B Shares”	the domestically listed (on the Shenzhen Stock Exchange) foreign shares in the capital of CIMC
“Board”	the board of Directors
“CIMC”	China International Marine Containers (Group) Co., Ltd. (中國國際海運集裝箱(集團)股份有限公司), which is not a connected person (as defined in the Listing Rules) of the Company under the Listing Rules
“CIMC Group”	CIMC and its subsidiaries
“CIMC Share(s)”	share(s) in the capital of CIMC
“Citigroup”	Citigroup Global Markets Asia Limited, which is licensed for Types 1, 4, 6, 7 and 9 regulated activities under the SFO
“CLSA”	CLSA Equity Capital Markets Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Acquisition

DEFINITIONS

“Company”	COSCO Pacific Limited
“Conditions”	the conditions which must be fulfilled before the Acquisition will be completed
“COSCO”	China Ocean Shipping (Group) Company, the ultimate holding company of the Company and a State-owned enterprise in the PRC
“COSCO Hong Kong”	COSCO (Hong Kong) Group Limited
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSSAP”	Statements of Standard Accounting Practice issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	An independent committee of the board of Directors comprising Dr. LI Kwok Po, David, Mr. LIU Lit Man and Mr. Alexander Reid HAMILTON
“Independent Shareholders”	Shareholders other than COSCO Hong Kong and its associates
“Latest Practicable Date”	1 September 2004, being the latest practicable date prior to the publication of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan)

DEFINITIONS

“Purchaser”	COSCO Container Industries Limited, a wholly-owned subsidiary of the Company and a limited liability company incorporated in the British Virgin Islands
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the 163,701,456 non-publicly tradable State-owned legal person CIMC Shares to be sold under the Agreement
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	share(s) in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Special General Meeting”	a special general meeting of the Company to be held at 49th Floor, COSCO Tower, 183 Queen’s Road Central, Hong Kong on Tuesday, 5 October 2004 at 2:30 p.m. (notice of which is set out on pages 47 to 49 of this circular), including any adjournment thereof
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States of America

In this circular, for reference purpose only and unless otherwise stated, translation of Renminbi into Hong Kong dollars is calculated by using an exchange rate of HK\$1.00 = RMB 1.0644, and translation of US\$ into Hong Kong dollars is calculated by using an exchange rate of US\$1 = HK\$7.8.

LETTER FROM THE CHAIRMAN



COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

Executive Directors:

Capt. WEI Jiafu (*Chairman*)
Mr. LIU Guoyuan (*Vice Chairman*)
Mr. ZHANG Fusheng
Mr. WANG Futian
Mr. GAO Weijie
Mr. CHEN Hongsheng
Mr. LI Jianhong
Mr. MA Zehua
Mr. MA Guichuan
Mr. LI Yunpeng
Ms. SUN Yueying
Mr. ZHOU Liancheng
Mr. SUN Jiakang (*Managing Director*)
Mr. XU Lirong
Mr. HE Jiale
Mr. LIANG Yanfeng
Mr. WONG Tin Yau, Kelvin
Mr. MENG Qinghui
Mr. LU Chenggang
Mr. QIN Fuyan

Independent Non-executive Directors:

Dr. LI Kwok Po, David
Mr. LIU Lit Man, GBS, JP
Mr. Alexander Reid HAMILTON
Mr. LEE Yip Wah, Peter

Non-executive Director:

Mr. KWONG Che Keung, Gordon

Company Secretary:

Ms. HUNG Man

Registered office:

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Principal Place of Business:

49th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

10 September 2004

LETTER FROM THE CHAIRMAN

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF INTEREST IN CHINA INTERNATIONAL MARINE
CONTAINERS (GROUP) CO., LTD.**

1. INTRODUCTION

On 19 August 2004, the Board announced that the Company's wholly-owned subsidiary, the Purchaser, entered into the Agreement with COSCO to acquire from COSCO 163,701,456 non-publicly tradable State-owned legal person CIMC Shares, representing approximately 16.23% of the issued share capital of CIMC as at 30 June 2004.

The consideration for the Acquisition amounted to approximately RMB1,056,384,000 (equivalent to approximately HK\$992,469,000).

The consideration payable to COSCO pursuant to the Agreement will be made in cash by the Purchaser within 10 business days after all the Conditions have been fulfilled.

CIMC, whose A Shares and B Shares are listed and traded on the Shenzhen Stock Exchange, is primarily engaged in the manufacturing and sale of modern traffic and transport equipment such as containers, modern road transport vehicles and airport ground equipment.

COSCO is the ultimate holding company of the Company holding approximately 53.07% of the equity interest in the Company as at the Latest Practicable Date, and is therefore a connected person of the Company. The entering into of the Agreement constitutes a discloseable and connected transaction for the Company under the Listing Rules, and will be subject to the approval by the Independent Shareholders at the Special General Meeting.

The Independent Board Committee, comprising Dr. LI Kwok Po, David, Mr. LIU Lit Man and Mr. Alexander Reid HAMILTON, has been appointed by the Board to consider the terms of the Acquisition. CLSA has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Acquisition are fair and reasonable so far as the Independent Shareholders are concerned.

The purpose of this circular is (i) to provide the Shareholders with further information on the Acquisition, (ii) to set out the letter of advice from CLSA to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, and (iii) to give the Shareholders the notice of the Special General Meeting and other information required by the Listing Rules.

LETTER FROM THE CHAIRMAN

Your attention is hereby specifically drawn to pages 47 to 49 of this circular where you will find a notice dated 10 September 2004 convening the Special General Meeting to be held on Tuesday, 5 October 2004. **As COSCO Hong Kong is a subsidiary of COSCO, COSCO Hong Kong and its associates will abstain from voting at the Special General Meeting with respect to the resolution to approve the Acquisition.**

2. THE ACQUISITION

Date of the Agreement

19 August 2004

Parties

Purchaser : the Purchaser

Vendor : COSCO

Interest to be acquired

The Purchaser has agreed to acquire 163,701,456 non-publicly tradable State-owned legal person CIMC Shares (非流通國有法人股), representing approximately 16.23% of the issued share capital of CIMC as at 30 June 2004, free from encumbrances. The rights and entitlements attached to such CIMC Shares are the same as those attached to the A Shares and B Shares. After these CIMC Shares have been acquired by the Purchaser, a subsequent sale of such shares by the Purchaser will be subject to approval by the relevant PRC regulatory authorities (including the Ministry of Commerce).

If the Purchaser cannot be the transferee of the Sale Shares as a result of a change in the relevant rules and regulations after the date of the Agreement, the Purchaser may nominate another wholly-owned subsidiary of the Company as the transferee, and COSCO, the Purchaser and the nominated transferee shall then enter into a supplemental agreement to confirm that the nominated transferee will be bound by the Agreement. The long stop date referred to in the paragraph headed "Termination" below applies to such arrangement by virtue of its being a provision of the Agreement. The Company is not currently aware of any existing rule or regulation in the PRC which does not allow the Purchaser to be the transferee of the Sale Shares. If another transferee is nominated by the Purchaser, the Company will comply with the Listing Rules and issue a further announcement.

LETTER FROM THE CHAIRMAN

Consideration

The consideration for the Acquisition amounted to approximately RMB1,056,384,000 (equivalent to approximately HK\$992,469,000). The consideration payable to COSCO will be made in cash (in a freely convertible foreign currency equivalent to such amount) by the Purchaser within 10 business days after all the Conditions have been fulfilled. No deposit is required to be paid prior thereto.

The consideration for the Acquisition was determined after arm's length negotiations between the Purchaser and COSCO after taking into consideration the net asset value per CIMC Share as mentioned in item 9 of the immediate following paragraph, and the Company has also taken into account for reference the trading multiples of selected listed companies in the same sector as CIMC, the historical profit generating financial performance and the dividend track record of CIMC for the 5 years ended 31 December 2003 and the strategic benefits of the Acquisition and agreed to pay the consideration per CIMC Share at a 23% premium to the net asset value per CIMC Share as at 31 December 2003 in order to acquire a significant stake in the largest container manufacturer in the world. The consideration will be funded by the internal resources of the Group. The Agreement does not provide for any capital injection by the Group into CIMC nor contain any commitment to do so.

The consideration per CIMC Share payable to COSCO is approximately RMB6.45 (equivalent to approximately HK\$6.06), and represents approximately:

1. 62% discount to the closing price of RMB17.09 per A Share as quoted on the Shenzhen Stock Exchange on the Latest Practicable Date;
2. 44% discount to the closing price of RMB11.55* per B Share as quoted on the Shenzhen Stock Exchange on the Latest Practicable Date;
3. 63% discount to the average closing price of approximately RMB17.34 per A Share based on the daily closing prices as quoted on the Shenzhen Stock Exchange over the five trading days up to and including the Latest Practicable Date;
4. 44% discount to the average closing price of approximately RMB11.55* per B Share based on the daily closing prices as quoted on the Shenzhen Stock Exchange over the five trading days up to and including the Latest Practicable Date;
5. 63% discount to the average closing price of approximately RMB17.57 per A Share based on the daily closing prices as quoted on the Shenzhen Stock Exchange over the 30 trading days up to and including the Latest Practicable Date;

LETTER FROM THE CHAIRMAN

6. 47% discount to the average closing price of approximately RMB12.14* per B Share based on the daily closing prices as quoted on the Shenzhen Stock Exchange over the 30 trading days up to and including the Latest Practicable Date;
7. 55% discount to the average closing price of approximately RMB14.41 per A Share based on the daily closing prices as quoted on the Shenzhen Stock Exchange over the 180 trading days up to and including the Latest Practicable Date;
8. 40% discount to the average closing price of approximately RMB10.68* per B Share based on the daily closing prices as quoted on the Shenzhen Stock Exchange over the 180 trading days up to and including the Latest Practicable Date;
9. 23% premium over the net asset value per CIMC Share of approximately RMB5.25 as at 31 December 2003 which was based on the consolidated net asset value of the CIMC Group as at 31 December 2003 (as compiled based on the audited accounts of the CIMC Group for the year ended 31 December 2003 prepared in accordance with the International Financial Reporting Standards and adjusted to comply with HKSSAP) divided by the number of CIMC Shares in issue as at 30 June 2004 (being the date the latest available published information of CIMC is made up to); and
10. 39 times over the original purchase cost of approximately RMB0.16 per CIMC Share by COSCO in August 1993.

The closing prices per share of each of the A Shares and B Shares on the Latest Practicable Date represented a premium of 226% and 120% respectively to the net asset value per CIMC Share mentioned in item 9 above. It is the Directors' view that investors would consider it useful as a reference to have the comparison between the consideration per CIMC Share and the closing prices of A Shares and B Shares as set out above.

* *For comparative purposes, the traded share prices of B Shares have been converted from Hong Kong dollars to RMB at an exchange rate of HK\$1.00 = RMB1.0644.*

Events to take place prior to completion of the Acquisition

Completion of the Acquisition is conditional upon the fulfilment of the following Conditions (none of which had been fulfilled as at the Latest Practicable Date):

- (a) the passing by the Independent Shareholders at a general meeting of a resolution approving the Agreement and the transactions contemplated thereunder;
- (b) all necessary approvals, consents and licences for the transactions contemplated under the Agreement, including but not limited to approvals of the State-owned Assets Supervision and Administration Commission, the Ministry of Commerce and other relevant regulatory authorities of the PRC, having been obtained;

LETTER FROM THE CHAIRMAN

- (c) the granting by the Company of an irrevocable guarantee of the Purchaser's obligations under the Agreement to COSCO; and
- (d) the issuing of a PRC legal opinion on the Agreement and the transactions thereunder by the PRC legal counsel engaged by the Purchaser.

The Agreement does not contain any provisions for waiver of the Conditions.

After completion of the Acquisition, the status of the Sale Shares will become non-publicly tradable foreign legal person shares of CIMC.

Termination

If all of the Conditions have not been fulfilled on or before the date which is six months after the date of the Agreement (or such later date as may be agreed between the parties), the Agreement will be automatically terminated whereupon neither of the parties will have any obligation towards the other (save and except for confidentiality obligations and liability for antecedent breaches).

In addition, a party may terminate the Agreement immediately and claim compensation if the other party fails to comply with any of its obligations as stipulated under the Agreement.

After completion of the Acquisition, the Company will, through the Purchaser (a wholly-owned subsidiary of the Company) hold a total of 163,701,456 CIMC Shares, representing approximately 16.23% of the issued share capital of CIMC as at 30 June 2004.

Arrangements prior to completion of the Acquisition in relation to dividends on the Sale Shares

According to the Agreement, from the date of the Agreement up to completion of the Acquisition, all dividends in cash paid on the Sale Shares shall belong to COSCO, while all dividends on the Sale Shares payable in the form of non-publicly tradable CIMC Shares shall be transferred to the Purchaser together with the Sale Shares upon completion of the Acquisition. The Company is not aware as to whether or when CIMC intends to next pay a dividend in cash or shares. There will not be any adjustment to the consideration if cash dividend is paid. After considering the dividend pay-out ratios of CIMC set out below and the consideration to be paid for the Sale Shares, the executive and non-executive Directors are of the view that the commercial benefits deriving from the Acquisition should exceed any potential detriment of such ex-rights arrangement on the entitlement to dividend. According to

LETTER FROM THE CHAIRMAN

CIMC's annual reports, the dividend pay-out ratios (based on the International Financial Reporting Standards) for the years 2001, 2002 and 2003 are as follows:

	2003	2002	2001
Dividend pay-out ratio (approximate percentage)	29%	Nil	30% plus scrip dividend in the ratio of 5 shares for 10 existing issued shares

Altering plans of CIMC shareholding structure

Pursuant to the Agreement, from the date of the Agreement up to the date of completion of the Acquisition:

- (1) if CIMC shall carry out any rights issue or other plans which will bring about the issuance of or changes to the CIMC Shares, debentures, options or securities convertible into CIMC Shares, COSCO shall upon becoming aware, forthwith inform the Purchaser and shall act in accordance with the opinion of the Purchaser; and
- (2) in particular, if CIMC shall carry out any rights issue and it is decided by the Purchaser that the rights entitlement on the Sale Shares shall be taken up by COSCO, COSCO shall accept such rights entitlement and the Purchaser will acquire those rights shares at cost (including all taxes and fees) from COSCO together with the Sale Shares.

The Company is not currently aware of any rights issue plan by CIMC. Where additional consideration is payable by the Purchaser as referred to above, the Stock Exchange will aggregate it with the Acquisition of the Sale Shares and the Company will comply with the Listing Rules and issue a further announcement.

Change in director of CIMC

COSCO has agreed, following completion of the Acquisition, to assist the Purchaser to adjust in accordance with the articles of association of CIMC the directorship and supervisorship of CIMC held by COSCO's personnel. One of the two directors of CIMC who are COSCO's personnel, Mr. FENG Jinhua, is expected to resign at the request of the Purchaser following the completion of the Acquisition. The Purchaser intends to nominate a person for election as a director of CIMC to fill the vacancy created as a result. The other director of CIMC who is COSCO's personnel is Mr. LI Jianhong, a Director, who has been a director of CIMC since 1995 and the Chairman of the board of directors of CIMC since 1997.

In the event that the person nominated by the Purchaser is elected as a director of CIMC, there will be 2 directors, out of a total of 8 directors, representing the Group on the board of directors of CIMC. The net assets and results of CIMC Group will then be equity accounted for in the Group's accounts upon the completion of the Acquisition.

LETTER FROM THE CHAIRMAN

3. INFORMATION ON CIMC

Place of establishment and business

CIMC became a joint stock company under the laws of the PRC in 1993. It is one of the first container manufacturers and Sino-foreign joint ventures in the PRC. The CIMC Group is principally engaged in the manufacturing and sale of modern traffic and transport equipment such as containers, modern road transport vehicles and airport ground equipment. The core business of CIMC is container manufacturing. The CIMC Group has 13 production bases located in the southern, eastern and northern parts of the PRC. CIMC has a large scale and comprehensive suite of products, ranging from dry van, reefer, tank to various special containers. Since 1996 to to-date, CIMC has been ranked number one container manufacturer in the world in terms of annual container output and sales volume. CIMC's customers include world leading shipping companies and leasing companies.

Share capital

The A Shares and B Shares were listed on the Shenzhen Stock Exchange in 1994. As at 30 June 2004, CIMC had an issued share capital of RMB1,008,483,353 (equivalent to approximately HK\$947,466,510) divided into 363,781,013 non-publicly tradable shares, 302,933,219 A Shares and 341,769,121 B Shares all of RMB1.00 each and its publicly traded shares accounted for approximately 63.93% of its issued share capital.

The shareholding structure of CIMC as at 30 June 2004 and that immediately after completion of the Acquisition (assuming that there will not be any other changes in the shareholding structure from 30 June 2004 up to completion of the Acquisition) are as follows:

Shareholder	Approximate percentage of total issued share capital as at 30 June 2004			Approximate percentage of total issued share capital upon completion of the Acquisition		
	Non-publicly tradable		A Shares	Non-publicly tradable		A Shares
	CIMC Shares	B Shares		CIMC Shares	B Shares	
COSCO and its subsidiaries (excluding the Group)	16.23%	0.95%	–	–	0.95%	–
The Group	–	–	–	16.23%	–	–
China Merchants Holdings (International) Company Limited and its subsidiaries*	16.23%	6.07%	–	16.23%	6.07%	–
Other shareholders	3.61%	26.87%	30.04%	3.61%	26.87%	30.04%

* *China Merchants Holdings (International) Company Limited and its subsidiaries are not connected persons (as defined in the Listing Rules) of the Company.*

LETTER FROM THE CHAIRMAN

Financial information

The consolidated profit before taxation, extraordinary items and minority interests and the consolidated profit after taxation, extraordinary items and minority interests of the CIMC Group for each of the two years ended 31 December 2002 and 2003 (as compiled based on the audited accounts of the CIMC Group for the two years ended 31 December 2002 and 2003 respectively prepared in accordance with the International Financial Reporting Standards and adjusted to comply with HKSSAP) were as follows:

	Year ended 31 December	
	2003	2002
	RMB'000	RMB'000
Profit before taxation, extraordinary items and minority interests	884,220	569,237
Profit after taxation, extraordinary items and minority interests	689,441	422,908

The consolidated net asset value of the CIMC Group as at 31 December 2003 amounted to RMB5,296,188,000 (equivalent to approximately HK\$4,975,750,000), which is compiled based on the audited accounts of the CIMC Group for the year ended 31 December 2003 prepared in accordance with the International Financial Reporting Standards and adjusted to comply with HKSSAP.

4. CONNECTED TRANSACTION

COSCO is the ultimate holding company of the Company and is therefore a connected person of the Company. The Agreement constitutes a discloseable and connected transaction and, pursuant to the Listing Rules, is subject to Independent Shareholders' approval at the Special General Meeting. COSCO Hong Kong and its associates (which, as at the Latest Practicable Date, were interested in 1,144,166,411 Shares as disclosed under Part XV of the SFO, representing approximately 53.07% of the issued share capital of the Company) will abstain from voting at the Special General Meeting. As at the Latest Practicable Date, as far as the Company was aware, having made all reasonable enquiries:

- (a) COSCO Hong Kong and its associates controlled or were entitled to exercise control over the voting rights in respect of their respective Shares;
- (b) (i) there were no voting trusts or other arrangements or undertakings (other than an outright sale) entered into by or binding upon COSCO Hong Kong and its associates;

LETTER FROM THE CHAIRMAN

- (ii) there were no obligations or entitlements of COSCO Hong Kong and its associates,

whereby such persons had or might have temporarily or permanently passed control over the exercise of the voting right in respect of their Shares to third parties, either generally or on a case-by-case basis; and

- (c) there were no discrepancies between the beneficial shareholding interests of COSCO Hong Kong and its associates in the Company and the number of Shares in respect of which they would control or would be entitled to exercise control over the voting rights at the Special General Meeting.

The Independent Board Committee comprising Dr. LI Kwok Po, David, Mr. LIU Lit Man and Mr. Alexander Reid HAMILTON has been formed to advise the Independent Shareholders on the fairness and reasonableness of the Agreement. CLSA has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the same.

5. REASONS FOR AND BENEFITS OF THE ACQUISITION

As one of the world's leading container-related conglomerates, the Company has an increasingly integrated range of activities spanning container leasing, container terminals, logistics, container-related industries and other investments. The Company has been pursuing its strategy of "capturing global opportunities". While continuing to leverage on its solid foundation in the PRC, the Company has been actively pursuing business development and investment opportunities in the PRC and around the world. In addition to container leasing and container terminal operations, the Company is committed to expanding its container-related industries. To this end, the Company has invested in three container manufacturing plants in the PRC which has served to strengthen synergies along the Company's container transportation services supply chain. The management considers the proposed investment in CIMC, the world's largest container manufacturer, as a good opportunity to strengthen the Company's foothold in the growing container manufacturing and sales industry.

The Company has appointed CLSA as the independent financial adviser in connection with the Acquisition. The executive and non-executive directors of the Company consider that the Agreement is on normal commercial terms and the terms including the consideration are fair and reasonable so far as the Company and the Shareholders taken as a whole are concerned, and are in the interests of the Company and the Shareholders taken as a whole. As the Group is engaged in container leasing business, the executive and non-executive directors of the Company consider that the proposed investment in CIMC will facilitate the Group's vertical integration initiatives and allow the Group to participate in the profit opportunity of the container manufacturing industry via its equity interest in CIMC and would bring strategic

LETTER FROM THE CHAIRMAN

benefits to the Group. The Company has been purchasing containers from CIMC and expects that the vertical integration would allow it to secure a more reliable source of supply of containers from CIMC. The Company currently intends to hold the Sale Shares as a long term strategic investment. Accordingly, it is irrelevant, from the Company's point of view, whether the Shares to be acquired are non-publicly tradable Shares or A Shares or B Shares.

6. FINANCIAL EFFECTS OF THE ACQUISITION

Following the completion of the Acquisition, the Purchaser intends to nominate a person for election as a director of CIMC to fill the vacancy to be created as a result of the expected resignation of Mr. FENG Jinhua. The other director of CIMC who is COSCO's personnel is Mr. LI Jianhong, a Director, who is also the chairman of the board of directors of CIMC.

In the event that the person nominated by the Purchaser is elected as a director of CIMC, there will be 2 directors, out of a total of 8 directors, representing the Group on the board of directors of CIMC. The net assets and results of the CIMC Group will then be equity accounted for in the Group's accounts upon the completion of the Acquisition.

Assuming the Acquisition had been completed as at 1 January 2003, the financial effects of the Acquisition to the profit and net asset value of the Group are:

Profit

For the year ended 31 December 2003, the Group's audited consolidated profit attributable to shareholders amounted to approximately US\$154,331,000 (approximately HK\$1,203,782,000). Based on the consolidated financial information of the CIMC Group (as compiled based on the audited accounts of the CIMC Group for the year ended 31 December 2003 prepared in accordance with the International Financial Reporting Standards and adjusted to comply with HKSSAP) and assuming that the Acquisition had been completed as at 1 January 2003, the Group's consolidated profit (on a pro forma basis) for the year ended 31 December 2003 would have increased by approximately 7.0% to approximately US\$165,186,000 (approximately HK\$1,288,451,000). Based on the weighted average number of Shares in issue for the year ended 31 December 2003, the Group's earnings per Share for the year ended 31 December 2003 would have increased from approximately US\$0.0719 (without taking into account the acquisition of the Sale Shares) to approximately US\$0.0769, representing an increase of approximately 7.0%.

Net asset value

As at 31 December 2003, the audited consolidated net asset value of the Group amounted to approximately US\$1,321,164,000 (approximately HK\$10,305,079,000). Based on the consolidated financial information of the CIMC Group (as compiled based on the audited accounts of the CIMC Group for the year ended 31 December 2003 prepared in accordance

LETTER FROM THE CHAIRMAN

with the International Financial Reporting Standards and adjusted to comply with HKSSAP) and assuming that the Acquisition had been completed as at 1 January 2003, the Group's consolidated net asset value (on a pro forma basis) as at 31 December 2003 would have increased by approximately 0.6% to approximately US\$1,329,298,000 (approximately HK\$10,368,524,000). Based on the Company's number of Shares in issue as at 31 December 2003, the consolidated net asset value per Share would have been increased from approximately US\$0.6149 to approximately US\$0.6187, representing an increase of approximately 0.6%.

Net gearing ratio

As at 31 December 2003, (i) the audited consolidated shareholders' equity of the Group amounted to approximately US\$1,321,164,000 (approximately HK\$10,305,079,000) and (ii) the audited consolidated net debt of the Group was approximately US\$194,525,000 (approximately HK\$1,517,295,000), representing approximately 14.7% of the consolidated shareholders' equity ("Net Gearing Ratio"). As the Acquisition will be funded by the Company's internal cash resources and based on the financial information of the CIMC Group (as compiled based on the audited accounts of the CIMC Group for the year ended 31 December 2003 prepared in accordance with the International Financial Reporting Standards and adjusted to comply with HKSSAP) and assuming that the Acquisition had been completed as at 1 January 2003, the Group's consolidated shareholders' equity and consolidated net debt as at 31 December 2003 (both on a pro forma basis) would have been approximately US\$1,329,298,000 (approximately HK\$10,368,524,000) and US\$322,420,000 (approximately HK\$2,514,876,000). The Net Gearing Ratio would have been increased from approximately 14.7% to approximately 24.3%, representing an increase of 9.6 percentage points.

7. BUSINESSES OF THE GROUP AND COSCO

The Group is principally engaged in the businesses of container leasing, container terminals, logistics, container related business and other investments.

COSCO is a diversified company focusing mainly on shipping and modern logistics businesses. Its group also serves as a shipping agency and provides services in freight forwarding, ship building, ship repairing, terminal operation, container manufacturing, trade, financing, real estate, IT, business consulting and contract employment.

8. SPECIAL GENERAL MEETING

Set out on pages 47 to 49 of this circular is a notice convening the Special General Meeting to be held at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong on Tuesday, 5 October 2004 at 2:30 p.m., at which an ordinary resolution will be proposed and, if thought fit, passed to approve the Acquisition. The ordinary resolution will be decided by poll.

LETTER FROM THE CHAIRMAN

A form of proxy for use at the Special General Meeting is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Secretaries Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the Special General Meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the Special General Meeting or at any adjourned meeting (as the case may be) should you so wish.

COSCO Hong Kong and its associates will abstain from voting on the ordinary resolution to be proposed at the Special General Meeting in respect of the Acquisition.

9. PROCEDURE FOR DEMANDING A POLL

Pursuant to the Bye-law 66 of the Bye-laws of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of such meeting; or
- (b) by at least three members of the Company present in person or in the case of a member of the Company being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by a member or members of the Company present in person or in the case of a member of the Company being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members of the Company having the right to vote at the meeting; or
- (d) by a member or members of the Company present in person or in the case of a member of the Company being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

A demand by a person as proxy for member of the Company or in the case of a member of the Company being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a member of the Company.

LETTER FROM THE CHAIRMAN

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders taken at a general meeting to approve connected transactions pursuant to Chapter 14A of the Listing Rules and transactions that are subject to independent shareholders' approval pursuant to the Listing Rules must be taken on a poll. Accordingly, the chairman of the Special General Meeting will demand that the ordinary resolution to approve the Acquisition be decided by poll.

10. RECOMMENDATION OF THE INDEPENDENT BOARD COMMITTEE

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 18 of this circular which contains the recommendation from the Independent Board Committee to the Independent Shareholders concerning the Acquisition and (ii) the letter from CLSA set out on pages 19 to 35 of this circular which contains the recommendation of CLSA to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition and the principal factors considered by CLSA in arriving at its recommendation.

Having taken into account the advice from CLSA and in particular the principal factors set out in the letter of advice from CLSA, the Independent Board Committee considers that the terms of the Acquisition are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends that Independent Shareholders should vote in favour of the ordinary resolution to be proposed at the Special General Meeting in respect of the Acquisition and the transactions contemplated thereunder.

11. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee and the letter from CLSA, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, and additional information set out in the appendix to this circular.

Yours faithfully,
For and on behalf of
COSCO Pacific Limited
WEI Jiafu
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

10 September 2004

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF INTEREST IN CHINA INTERNATIONAL MARINE
CONTAINERS (GROUP) CO., LTD.**

We refer to the circular of the Company dated 10 September 2004 (the "Circular") to the Shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context requires otherwise.

We have been appointed by the Board as the Independent Board Committee to advise you as to whether, in our opinion, the terms of the Acquisition are fair and reasonable so far as the Independent Shareholders are concerned.

CLSA has been appointed by the Company as the independent financial adviser to advise us regarding the fairness and reasonableness of the Acquisition. Details of its advice, together with the principal factors taken into consideration in arriving at such, are set out in its letter on pages 19 to 35 of the Circular.

Your attention is drawn to the letter from the Chairman set out on pages 4 to 17 of the Circular and the additional information set out in the appendix.

Having taken into account the terms of the Acquisition, and the advice given by CLSA, we consider that the terms of the Acquisition are in the interests of the Company and its Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend that the Independent Shareholders should vote in favour of the resolution approving the Acquisition to be proposed at the Special General Meeting.

Yours faithfully,
For and on behalf of
the Independent Board Committee

LI Kwok Po, David
Independent
Non-executive Director

LIU Lit Man
Independent
Non-executive Director

Alexander Reid HAMILTON
Independent
Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from CLSA to the Independent Board Committee and the Independent Shareholders in connection with the fairness and reasonableness of the Acquisition which has been prepared for incorporation into this circular.



10 September 2004

*To the Independent Board Committee
and the Independent Shareholders*

Dear Sir or Madam,

PROPOSED ACQUISITION OF SHARES IN CIMC

We refer to our engagement under which CLSA Equity Capital Markets Limited (“CLSA”) has been appointed to advise the Independent Board Committee and the Independent Shareholders in connection with the terms of the proposed acquisition of 163,701,456 non-publicly tradable State-owned legal person shares in CIMC, representing approximately 16.23% of the issued share capital of CIMC. Pursuant to the Listing Rules, the Acquisition will constitute a connected and discloseable transaction of the Company. Details of the Acquisition are set out in the letter from the Chairman of the Company included in the circular dated 10 September 2004 (the “Circular”) issued by the Company to its Shareholders. This letter has been prepared for inclusion in the Circular and terms used in this letter have the same meanings as defined in the Circular, unless the context otherwise requires.

In our capacity as independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion as to whether the Acquisition is fair and reasonable and whether the transaction is in the interests of the Company and its Shareholders and to advise the Independent Board Committee as to the recommendation it should make to the Independent Shareholders on how to vote. Our opinion letter to the Independent Board Committee and the Independent Shareholders has been prepared and delivered in accordance with the requirements of the Listing Rules for the purposes of assisting the Independent Board Committee in its duties to evaluate the terms of the Acquisition and to accordingly advise the Independent Shareholders for the purposes of considering the ordinary resolution to be sought at a Special General Meeting to be convened on Tuesday, 5 October 2004, at 2:30 p.m. The assumptions made and the analysis conducted in our letter were undertaken in accordance with the customs and practices employed in relation to similar discloseable and connected transactions in Hong Kong.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In formulating our opinion we have relied on the information, opinions and facts supplied, and representations made to us by the Directors and representatives of the Company (including those contained or referred to in the Circular) and have assumed that all such information, opinions, facts and representations, which have been provided by the Directors and such representatives, and for which they are wholly responsible, are true and accurate in all material respects. We have also relied on certain information available to the public and we have assumed such information to be accurate and reliable, and we have not independently verified the accuracy of such information. Further, we have relied on the representations of the Directors that they have made all reasonable inquiries, and to the best of their knowledge and belief, that there are no other facts, the omission of which would make any statement contained in the Circular untrue or misleading. We have also assumed that statements and representations made or referred to in the Circular were accurate at the time they were made and continue to be accurate at the date of despatch of the Circular.

We consider that we have reviewed sufficient information to enable us to reach an informed view and to justify our recommendation, relying on the accuracy of the information provided in the Circular, as well as to provide a reasonable basis for our advice. We have not, however, made any independent evaluation or appraisal of, nor have we conducted any form of independent investigation into, the business affairs or assets and liabilities of CIMC. Additionally, we did not conduct any physical inspection of the properties or facilities of CIMC. It is not within our terms of reference to comment on the commercial feasibility of the Acquisition by the Company or the means by which the Company will fund the Acquisition, which remains the responsibility of the Directors. As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, we have not been involved in the negotiations in respect of the terms of the Acquisition. Our opinion with regard to the terms thereof has been made on the assumption that all obligations to be performed by each of the parties to the Acquisition will be fully performed in accordance with the terms thereof.

Our opinion is necessarily based upon market, economic and other conditions as they existed and could be evaluated on, and on the information publicly available to us, as of the date of this opinion. We have no obligation to update this opinion to take into account events occurring after the date that this opinion is delivered to the Independent Board Committee. As a result, circumstances could develop prior to completion of the Acquisition that, if known to us at the time we rendered our opinion, would have altered our opinion.

CLSA is a licensed securities adviser and corporate finance adviser under the SFO and we, together with our affiliates, provide a full range of investment banking and broking services, which, in the course of normal trading activities, may from time to time effect transactions and hold securities, including derivative securities, of the Company or CIMC for our own account and the accounts of customers. CLSA will receive a fee from the Company for rendering this opinion. The Company has also agreed to indemnify CLSA and certain related persons against certain liabilities and expenses in connection with this engagement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in regard to the Acquisition by the Company, we have considered the principal factors and reasons set out below.

None of the factors or reasons considered by us was assigned a greater significance than any other. We did not form a conclusion as to whether any individual factors or reasons, considered in isolation, supported or failed to support our opinion, although we are not aware of any matter which would have rendered our opinion differently by the results of our analysis of any such individual factors or reasons. Rather, in reaching our conclusion, we have considered the results of the analysis in light of each other and ultimately reached our opinion based on the results of all analysis taken as a whole.

REASONS FOR THE ACQUISITION

The Circular states that the Company is one of the world's leading container-related conglomerates, with an increasingly integrated range of activities spanning container leasing, container terminals, logistics, container-related industries and other investments. The Company has invested in three container manufacturing plants in the PRC which has served to strengthen synergies along the Company's container transportation service supply chain. The management of the Company considers the proposed investment in CIMC a good opportunity to strengthen the Company's foothold in the growing container manufacturing and sales industry. Further, the executive and non-executive directors of the Company consider that the proposed investment in CIMC will facilitate the Group's vertical integration initiatives and allow the Group to participate in the profit opportunities of the container manufacturing industry via its equity interest in CIMC, which would bring strategic benefits to the Group.

The Circular states that following completion of the Acquisition, the Purchaser intends to nominate a person for election as a director of CIMC and that in the event that the person nominated by the Purchaser is elected as a director of CIMC, there will be two directors out of a total of eight directors representing the Group on the board of directors of CIMC. The net assets and results of CIMC will then be equity accounted for in the Group's accounts upon completion of the Acquisition. The Circular states that in such event, and assuming the Acquisition had been completed prior to 1 January 2003, the Group's consolidated profit for the year ended 31 December 2003 would have increased by approximately 7% to approximately US\$165,186,000 (approximately HK\$1,288,451,000), the Group's consolidated net asset value as at 31 December 2003 would have increased by approximately 0.6% to approximately US\$1,329,298,000 (approximately HK\$10,368,524,000) and the Group's consolidated net debt as at 31 December 2003 would have been approximately US\$322,420,000 (approximately HK\$2,514,876,000). The net gearing ratio would have increased from approximately 14.7% to approximately 24.3% as at 31 December 2003.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

NATURE OF SHARES BEING ACQUIRED

The Sale Shares which are being acquired are non-publicly tradable State-owned legal person shares of CIMC. The Sale Shares are not tradable on the Shenzhen Stock Exchange as either A Shares or B Shares. The sale of the Sale Shares requires the approval of a number of regulatory authorities of the PRC, including, but not limited to, the State-Owned Assets Supervision and Administration Commission and the Ministry of Commerce. After completion of the Acquisition, the Sale Shares will become non-publicly tradable foreign legal person shares of CIMC.

We note that the Company has indicated that the investment in CIMC is intended to be a long term strategic investment. The letter from the Chairman of the Company set out in the Circular states that it is irrelevant, from the Company's point of view, whether the Shares to be acquired are non-publicly tradable shares or A Shares or B Shares.

We also note that two shareholders of CIMC, China Merchants Holdings (International) Company Limited and Profit Crown Assets Limited, have successfully applied to, and received approval from, the relevant regulatory authorities of the PRC to convert their respective holdings of non-publicly tradable foreign legal person shares of CIMC into B Shares. Although this implies that it may be possible to convert the Sale Shares to B Shares, the Company has advised us that they have no current intention to apply to the relevant regulatory authorities of the PRC for such conversion.

SIZE OF STAKE AND POTENTIAL FOR CONTROL

The 163,701,456 shares being acquired represent approximately 16.23% of the issued share capital of CIMC. Upon completion of the Acquisition, the Company will become the second largest shareholder in CIMC, behind China Merchants Holdings (International) Company Limited which, through two subsidiary companies, owns approximately 16.23% in non-publicly tradable foreign legal person shares and approximately 6.07% in B Shares giving a total holding of approximately 22.30% of CIMC as at 30 June 2004.

COSCO has agreed, following the completion of the Acquisition, to assist the Purchaser to adjust in accordance with the articles of association of CIMC the directorship and supervisorship of CIMC held by COSCO's personnel. One of the two directors of CIMC who are COSCO's personnel, Mr. FENG Jinhua, is expected to resign at the request of the Purchaser following the completion of the Acquisition. The Purchaser intends to nominate a person for election as a director of CIMC to fill the vacancy created as a result. Mr. LI Jianhong, a Director, has been a director of CIMC since 1995 and the Chairman of the board of directors of CIMC since 1997. At the Latest Practical Date, there were a total of eight directors on the board of CIMC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

COSCO will retain an interest in 9,591,707 B Shares, which represented an interest of approximately 0.95% in CIMC as at 30 June 2004. The Company has advised us that they do not believe it is necessary to also acquire this interest as all the synergies and benefits stated in the letter from the Chairman of the Company set out in the Circular can be achieved through the Acquisition, i.e. a 16.23% shareholding in CIMC.

ARRANGEMENTS BETWEEN THE DATE OF THE AGREEMENT AND COMPLETION OF THE ACQUISITION

As stated in the Circular, the Acquisition is conditional upon the fulfillment of a number of conditions, some of which are outside the control of the Company. If all the conditions have not been fulfilled on or before the date which is six months after the date of the Agreement (or such later date as may be agreed between the parties), the Agreement will be automatically terminated whereupon neither of the parties will have any obligation towards the other (save and except for confidentiality obligations and liability for antecedent breaches).

According to the Agreement, from the date of the Agreement up to completion of the Acquisition, all dividends in cash paid on the Sale Shares shall belong to COSCO, while all dividends on the Sale Shares payable in the form of non-publicly tradable CIMC Shares shall be transferred to the Purchaser together with the Sale Shares. The Company is not aware as to whether or when CIMC intends to next pay a dividend in cash or shares. The Circular states that, according to CIMC's annual reports, the historic dividend payout ratios of CIMC (based on the International Financial Reporting Standards) for the last three years has been as follows:

Dividend Analysis

Year Ending 31 December	2003	2002	2001
Dividend pay-out ratio (approximate percentage)	29%	Nil	30% plus scrip dividend in the ratio of 5 shares for 10 existing issued shares

Given that there will not be any adjustment to the consideration if a cash dividend is paid, we note that in the event that CIMC pays a substantial cash dividend between the date of signing the Agreement and completion of the Acquisition this could negatively impact the net asset value of the Sale Shares. The management of the Company have advised us that it is their view that CIMC is unlikely to change its historic dividend payout policy and pay a substantial dividend given that CIMC is currently growing its business to meet demand for its products and is therefore likely to require cash to fund such growth.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, from the date of the Agreement up to the date of completion of the Acquisition:

1. if CIMC shall carry out any rights issue or other plans which will bring about the issuance of or changes to the CIMC Shares, debentures, options or securities convertible into CIMC Shares, COSCO shall, upon becoming aware, forthwith inform the Purchaser and shall act in accordance with the opinion of the Purchaser; and
2. in particular, if CIMC shall carry out any rights issue and it is decided by the Purchaser that the rights entitlement on the Sale Shares shall be taken up by COSCO, COSCO shall accept such rights entitlement and the Purchaser will acquire those rights shares at cost (including all taxes and fees) from COSCO together with the Sale Shares.

CIMC ANALYSIS

Table 1 provides summary un-audited income statements and balance sheets of the CIMC Group for the half years ended 30 June 2004 and 30 June 2003, together with summary audited income statements and balance sheets for the full years ended 31 December 2003 and 31 December 2002.

Table 1

Summary Income Statement

(RMB '000)

	Six Months Ended		Year Ended	
	30 June 2004 <i>(unaudited)</i>	30 June 2003 <i>(unaudited)</i>	31 December 2003 <i>(audited)</i>	31 December 2002 <i>(audited)</i>
Revenue	11,050,471	6,286,396	13,705,212	9,025,986
Operating Profit	1,124,642	445,399	905,376	512,948
Net Profit After Tax	927,283	340,703	694,051	423,293

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Summary Balance Sheet

(RMB '000)

	As at		As at	
	30 June 2004 <i>(unaudited)</i>	30 June 2003 <i>(unaudited)</i>	31 December 2003 <i>(audited)</i>	31 December 2002 <i>(audited)</i>
Current Asset	11,757,560	6,347,552	6,811,216	4,910,568
Non-Current Asset	<u>3,917,717</u>	<u>3,092,298</u>	<u>3,447,140</u>	<u>3,163,326</u>
Total Assets	15,675,277	9,439,850	10,258,356	8,073,894
Current Liabilities	8,305,858	5,259,378	3,880,815	4,524,772
Non-Current Liabilities	<u>664,728</u>	<u>438,720</u>	<u>422,084</u>	<u>81,000</u>
Total Liabilities	8,970,586	5,698,098	4,302,899	4,605,772
Minority Interests	719,698	550,552	659,804	617,625
Shareholders' Funds	5,984,993	3,191,200	5,295,653	2,850,497

Source: CIMC half yearly and annual reports

CIMC had a total of 1,008,483,353 CIMC Shares issued and outstanding as at 30 June 2004. The transaction price of approximately RMB 6.45 per Sale Share (the "Transaction Price") represents a premium to net assets as at 31 December 2003 of approximately 23% and a premium to net assets as at 30 June 2004 of approximately 9%. A number of leading companies in the manufacturing industry are valued at a price which represents a premium to their net assets. Indeed, the CIMC A Share and B Share prices (both of which are determined by the market) have traded at a considerably higher premium above the net asset value of CIMC over the last 12 months (see below). As such, we do not consider it unreasonable to pay a premium over the net asset value of CIMC for a minority stake.

SHARE PRICE AND LIQUIDITY ANALYSIS

Share Price

We note that the Sale Shares being acquired by the Company will become non-publicly tradable foreign legal person shares and therefore are not directly comparable with either the A Shares or B Shares of CIMC. Although the Company has advised us that they have no current intention to apply to the relevant regulatory authorities of the PRC to convert the Sale Shares to B Shares, given that such a conversion may be possible, we consider that the price of the B Shares provides a better indication of the value of the Sale Shares than the price of the A Shares. However, for the sake of completeness, and for comparative purposes only, set out below is an analysis of both CIMC's B Shares and A Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Table 2 provides the closing price of the B Shares of CIMC on 18 August 2004 and the average closing price for the 5 trading days, 1 month, 30 trading days, 3 months, 6 months, 180 trading days and 12 months prior to the date of announcement by the Company of the Acquisition (the “Announcement”). The table also shows the highest closing price, lowest closing price and the discount of the Transaction Price to the average closing price for each of these periods.

Table 2

B Share Price Analysis

Period	Average Closing Price (RMB)*	Highest Closing Price (RMB)*	Lowest Closing Price (RMB)*	Transaction Price Discount to Average Closing Price
18 August 2004	12.06	12.06	12.06	46.5%
5 Prior Trading Days	12.20	12.76	11.72	47.1%
1 Month Prior	12.50	12.79	11.72	48.4%
30 Trading Days Prior	12.30	12.79	11.08	47.5%
3 Months Prior	11.39	12.79	9.61	43.3%
6 Months Prior	10.99	12.79	9.01	41.3%
180 Trading Days Prior	10.54	12.79	8.54	38.7%
12 Months Prior	9.81	12.79	6.65	34.2%

Source: Bloomberg

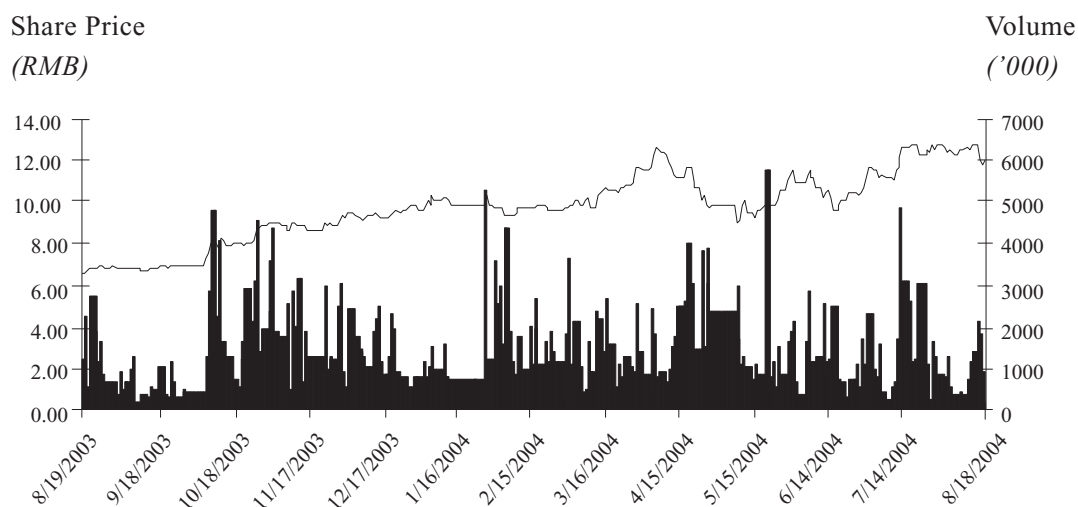
* For comparative purposes, we have converted the traded share price of B Shares from Hong Kong dollars to RMB at an exchange rate of HK\$1.00= RMB1.0644

Table 2 shows that the Transaction Price is 46.5% lower than the closing price of B Shares on 18 August 2004. It also shows that the Transaction Price is lower than the average closing prices for the 5 trading days, 1 month, 30 trading days, 3 months, 6 months, 180 trading days, and 12 months prior to the Announcement. It shows that the lowest closing price in the previous 12 months was equivalent to approximately RMB6.65. The Transaction Price is therefore approximately 3% lower than the lowest closing price in the previous 12 months.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Presented below is a chart showing the share price and daily volume of the B Shares over the 12 months ending 18 August 2004.

CIMC (B Shares) Share Price & Volume



Source: Bloomberg

Table 3 provides the closing price of the A Shares on 18 August 2004 and the average closing price for the 5 trading days, 1 month, 30 trading days, 3 months, 6 months, 180 trading days and 12 months prior to the Announcement. The table also shows the highest closing price, lowest closing price and the discount of the Transaction Price to the average closing price for each of these periods.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Table 3

A Share Price Analysis

Period	Average Closing Price (RMB)	Highest Closing Price (RMB)	Lowest Closing Price (RMB)	Transaction Price Discount to Average Closing Price
18 August 2004	18.29	18.29	18.29	64.7%
5 Prior Trading Days	18.03	18.38	17.50	64.2%
1 Month Prior	17.67	18.38	16.67	63.5%
30 Trading Days Prior	17.29	18.38	15.10	62.7%
3 Months Prior	15.72	18.38	13.35	58.9%
6 Months Prior	14.83	18.38	12.44	56.5%
180 Trading Days Prior	14.02	18.38	10.06	54.0%
12 Months Prior	13.10	18.38	9.69	50.7%

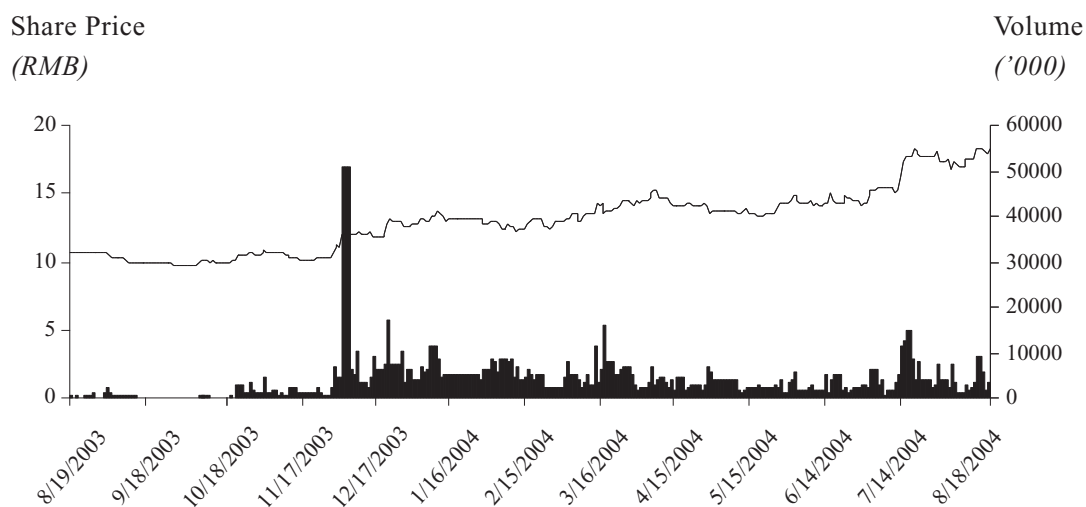
Source: Bloomberg

Table 3 shows that the Transaction Price is 64.7% lower than the closing price of A Shares on 18 August 2004. It also shows that the Transaction Price is lower than the average closing prices for the 5 trading days, 1 month, 30 trading days, 3 months, 6 months, 180 trading days, and 12 months prior to the Announcement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Presented below is a chart showing the share price and daily volume of the CIMC A Shares over the 12 months ending 18 August 2004.

CIMC (A Shares) Share Price & Volume



Source: Bloomberg

Liquidity

Given that the Company has advised us that they have no current intention to apply to the relevant regulatory authorities of the PRC to convert the Sale Shares into B Shares, the liquidity of CIMC's A Shares and B Shares is less relevant to the analysis of the Acquisition. However, in general, the share price of a more liquid stock is more likely to reflect the market's assessment of the value of that stock based on the information available to the public. As we have considered the market price of the CIMC A Shares and B Shares, we believe it is relevant to consider their liquidity in determining whether the market price of the A Shares and B Shares is likely to provide a fair comparison for the Sale Shares. For this reason, we have outlined the liquidity of CIMC's A Shares and B Shares and the liquidity of the CIMC Shares against the overall liquidity of companies listed on the Shenzhen Stock Exchange.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Table 4 below outlines the trading volume of CIMC's B Shares and A Shares on 18 August 2004, the average daily trading volume for the 5 trading days, 1 month, 30 trading days, 3 months, 6 months, 180 trading days and 12 months prior to the Announcement.

Table 4

CIMC Liquidity Analysis

Period	B Shares		A Shares	
	Average Daily Trading Volume (Shares)	Average Daily Trading Volume as a % of Total Issued Shares	Average Daily Trading Volume (Shares)	Average Daily Trading Volume as a % of Total Issued Shares
18 August 2004	918,001	0.09%	3,490,334	0.35%
5 Prior Trading Days	1,492,457	0.15%	4,740,668	0.47%
1 Month Prior	1,180,530	0.12%	4,137,128	0.41%
30 Trading Days Prior	1,292,707	0.13%	4,849,619	0.48%
3 Months Prior	1,329,537	0.13%	3,695,032	0.37%
6 Months Prior	1,476,443	0.15%	3,826,745	0.38%
180 Trading Days Prior	1,518,130	0.15%	4,737,794	0.47%
12 Months Prior	1,526,895	0.15%	3,744,087	0.37%

Source: Bloomberg

The table above shows that the volume of CIMC Shares traded on 18 August 2004 was lower for both CIMC's B Shares and A Shares than the average daily volume for the 5 trading days, 1 month, 30 trading days, 3 months, 6 months, 180 trading days and 12 months prior to Announcement. It also shows that, other than for 18 August 2004, the average daily volume over the periods referred to above has been between 0.12% and 0.15% of the total shares in issue of CIMC for the B Shares and between 0.37% and 0.48% of the total shares in issue of CIMC for the A Shares.

Based on the 12 months prior to Announcement, and assuming the Sale Shares had been successfully converted into B Shares, the 163,701,456 shares being acquired would represent approximately 107 days average trading volume in CIMC's B Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have compared trading of CIMC's B Shares and A Shares against the average daily trading volumes and daily value of trading of A share and B share companies listed on the Shenzhen Stock Exchange in table 5 below.

Table 5

Market Liquidity Analysis

	CIMC B Shares	Average of All Shenzhen B share Companies	CIMC A Shares	Average of All Shenzhen A share Companies
3 Month Average Daily Volume as a % of Issued Shares	0.13%	0.10%	0.37%	0.68%
3 Month Average Daily Value (RMB)	17,000,000	3,000,000	54,000,000	12,000,000

Source: Bloomberg

Table 5 shows that in the 3 months prior to Announcement, CIMC's B Shares have been more liquid than the average for all B shares listed on the Shenzhen Stock Exchange as measured by both average daily volume as a percentage of shares in issue and the value of average daily turnover. It also shows that CIMC's A Shares are less liquid than the average for all A shares listed on the Shenzhen Stock Exchange as measured by average daily volume as a percentage of shares in issue, but that CIMC's A Shares are more liquid than the average for all A shares listed on the Shenzhen Stock Exchange when measured by the average daily value of trading. Given this level of liquidity, we are satisfied that the traded prices of B Shares and A Shares are likely to reflect the market's assessment of the value of CIMC based on the information available to the public. We are therefore also satisfied that a comparison of the Transaction Price with the B Share price is appropriate, although the Company has advised us that they have no current intention to apply to the relevant regulatory authorities of the PRC to convert the Sale Shares to B Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

COMPARABLE COMPANY ANALYSIS

For comparative purposes only, we have identified three listed companies that have broadly comparable business operations to those of CIMC. Table 6 below sets out various valuation ratios for the three listed companies concerned, together with their total sales of containers in 2003:

Table 6

Comparable Company Analysis

Name	Nation	Market	Price/		Price/ Book Value	EV/EBITDA		EV/EBIT		2003 Sales (TEU)
		Cap (US\$ '000)	2003A	2004E		2003A	2004E	2003A	2003A	
CIMC@										
Transaction Price*	China	784	9.4	6.1	1.2	5.8	4.4	7.2	0.5	1,173,293
CIMC@										
B Share Price	China	1,464.9	17.5	11.4	2.3	11.4	8.8	15.1	1.0	1,173,293
JFE Containers	Japan	42.4	nm	na	0.4	10.1	na	nm	0.3	na
Mobile Mini	US	397.4	nm	20.8	2.1	17.2	10.0	24.5	1.4	na
Singamas	China	244.5	12.0	9.2	2.3	9.0	7.3	11.3	2.3	466,523

Source: Annual Reports and Bloomberg

* While the shares of CIMC are listed on the Shenzhen Stock Exchange in the form of A Shares and B Shares, the Sale Shares are non-publicly tradable State-owned legal person shares, which are similar in nature to unlisted shares.

We note that Singamas, which is CIMC's largest competitor and is listed on the Stock Exchange provides the most relevant comparison given the nature of its business and geographic location, although its market capitalisation and container sales are significantly lower than the comparable numbers for CIMC.

The Transaction Price results in lower comparable valuations, as measured by each of the valuation ratios set out above, than the corresponding valuation ratios for each of the comparable companies, with the exception of Enterprise Value to Sales and Price to Book Value for JFE Containers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

COMPARABLE TRANSACTION ANALYSIS

So far as we are aware there have not been any recent transactions involving the acquisition of a large minority shareholding in a liquid publicly traded company in the container manufacturing industry. However, there have been a number of recent transactions involving the acquisition of the shares or assets of unlisted companies in the container manufacturing industry. Whilst these transactions may not provide directly comparable situations, in the interests of completeness we have reviewed certain publicly disclosed acquisitions in this category which may be comparable in some aspects to the Acquisition. Table 7 sets out a list of the publicly disclosed transactions we have reviewed for this purpose, giving various ratios to the extent they can be calculated given the limited publicly disclosed information available to us:

Table 7

Comparable Transaction Analysis

Date	Target	Acquiror	% Acquired	Target Listing Status	Purchase Price (US\$)	Price to Earnings	Price to Book Value
Aug 04	CIMC at Transaction Price	Company	16%	Listed*	127.6	9.4	1.2
May 04	Guangdong Shun An Da Pacific Containers	Singamas	30%	Unlisted	5.4	2.2	0.5
Nov 03	Guangdong Shun An Da Pacific Containers	Singamas	10%	Unlisted	1.8	2.5	0.7
Jan 03	Shanghai Baoshan Pacific Containers	Singamas	35%	Unlisted	1.5	1.0	0.5

Source: Thomsons Financial Inc, Bloomberg

* While the shares of CIMC are listed on the Shenzhen Stock Exchange in the form of A Shares and B Shares, the Sale Shares are non-publicly tradable State-owned legal person shares, which are similar in nature to unlisted shares.

However, we note that the size of these transactions, the lack of scale of the businesses concerned (when compared to the business of CIMC) and the lack of publicly disclosed information relating to the detailed terms of these transactions leads us to conclude that they are of limited value in analysing the Acquisition.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

CONCLUSION AND OPINION

In reaching our opinion (on the basis set out at the beginning of this letter), we have considered the following principal factors and reasons:

- The reasons for the proposed Acquisition contained in the letter from the Chairman set out in the Circular;
- The effect on the consolidated results of the Company had the Acquisition been completed prior to 1 January 2003;
- The nature of the non-publicly tradable State-owned legal person shares of CIMC, which will, on acquisition, become non-publicly tradable foreign legal person shares of CIMC, and the fact that it may be possible to convert these shares to B Shares, subject to obtaining approval from the relevant regulatory authorities of the PRC;
- The intention of the Company to hold the Sale Shares as a long-term investment;
- The size of the stake being acquired when compared to the size of stakes held by other shareholders of CIMC and the potential for influence through representation on the board of directors of CIMC;
- The arrangements which exist between the date of the Agreement and the completion of the Acquisition in relation to the payment of dividends and rights issues and other events which may change the shareholding of CIMC;
- The price at which the Sale Shares are being acquired on the basis of (1) the net asset value of CIMC, (2) the historical trading price of the CIMC A Shares and B Shares, (3) a comparison with similar listed companies (taking account of ratios such as price to earnings, price to book, enterprise value to EBITDA, enterprise value to EBIT and enterprise value to sales) and (4) a comparison with similar acquisitions

Based on these principal factors and reasons we have concluded that:

- There are clear links between the business operated by CIMC and the business of the Company. As such we do not consider it unreasonable for the executive and non-executive directors of the Company to believe that the Acquisition will (1) strengthen the Company's foothold in the container manufacturing and sales industry, (2) facilitate the Group's vertical integration and (3) bring strategic benefits to the Group;
- The fact that the Sale Shares, once acquired by the Purchaser, will become non-publicly tradable foreign legal person shares, and therefore are technically illiquid, does not necessarily reduce their value as (1) the Company intends to hold the stake

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

acquired as a long term investment and (2) it is possible to convert the Sale Shares to B Shares with approval from the relevant regulatory authorities in the PRC (although the Company has advised us that they have no current intention to apply to the relevant regulatory authorities of the PRC for such conversion);

- The Company is likely to have significant influence over the management of CIMC as the second largest shareholder and through its two anticipated representatives on the board of directors of CIMC;
- The Company's position is protected in the event of dividends and rights issues and other events which may change the shareholding of CIMC between the date of the Agreement and the completion of the Acquisition (although any decision by CIMC to pay a significant cash dividend could negatively impact the net assets of CIMC, we conclude that it is reasonable for the management of the Company to believe that a change in the dividend policy by CIMC is unlikely);
- The price paid for the Sale Shares is fair and reasonable because although it represents a premium to the net assets of CIMC, it also represents a very significant discount to the historical prices of the publicly traded A Shares and B Shares over the last 12 months;
- It is reasonable to compare the Sale Shares to the B Shares of CIMC because the Sale Shares could be converted to B Shares (see above);
- The price paid for the Sale Shares also represents a reasonable price when viewed against a number of ratios for comparable listed companies; and
- There are no suitable recent acquisitions with which to compare the Acquisition and the results of an analysis of the publicly disclosed acquisitions which are available does not provide any conclusive benchmarks which would alter our view as to the reasonableness of the price paid for the Sale Shares.

Based on these conclusions, we are of the opinion that the terms of the Acquisition of a 16.23% interest in CIMC by the Company are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favour of the proposed acquisition of 163,701,456 shares in CIMC at the Special General Meeting to be convened on Tuesday, 5 October 2004, at 2:30 p.m.

Yours faithfully
For and on behalf of
CLSA Equity Capital Markets Limited
Tim FERDINAND
Managing Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of information contained in this circular and confirm, having made all reasonable enquires, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

- (a) As at the Latest Practicable Date, the interests of the Directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

(i) Long positions in Shares

Name of Director	Capacity	Nature of Interests	No. of Shares held	Percentage of total issued share capital
Mr. KWONG Che Keung, Gordon	Beneficial Owner	Personal	250,000	0.012%
Dr. LI Kwok Po, David	Beneficial Owner	Personal	258,000	0.012%
Mr. LEE Yip Wah, Peter	Beneficial Owner	Personal	150,000	0.007%

(ii) Long positions in underlying shares of equity derivatives of the Company

(a) Options granted under the 1994 Share Option Scheme

Name of Director	Exercise Price (HK\$)	Number of share options outstanding as at the Latest Practicable Date	Percentage of total issued share capital	Note
Mr. WONG Tin Yau, Kelvin	8.80	4,000,000	0.186%	(2), (3)
Mr. QIN Fuyan	5.53	1,500,000	0.070%	(1), (3)

Notes:

- (1) The share options were granted on 1 July 1996 under the share option scheme adopted by the Shareholders on 30 November 1994 (the “1994 Share Option Scheme”). The options are exercisable at any time within ten years from the date of grant, subject to the following conditions:

Percentage of the total number of options granted to each grantee which can be exercised (including the options which have already been exercised)	Price level per Share at which the options can be exercised*
20% of the options	HK\$6.50 or above
40% of the options	HK\$7.00 or above
60% of the options	HK\$7.50 or above
80% of the options	HK\$8.00 or above
100% of the options	HK\$8.50 or above

* *The price level refers to the closing price of the Shares on the Stock Exchange at the date prior to the exercise of the options.*

- (2) The share options were granted on 20 May 1997 (the “Offer Date”) under the 1994 Share Option Scheme. The options are exercisable at any time within ten years from the date of grant, subject to the following conditions:
- (i) For those grantees who have completed one year full-time service in the Group may exercise a maximum of 20% of share options granted in each of the first five anniversary years from the Offer Date.
 - (ii) For those grantees who have not completed one year full-time service in the Group as at the Offer Date, a maximum of 20% of options granted may be exercisable in each of the first five anniversary years of the Offer Date after completion of one year full-time service.
- (3) These options represent personal interest held by the relevant director as beneficial owner.

(b) Options granted under the 2003 Share Option Scheme

Name of Director	Exercise price (HK\$)	Number of share options outstanding as at the Latest Practicable Date	Percentage of total issued share capital	Exercisable period	Note
Capt. WEI Jiafu	9.54	1,000,000	0.046%	30.10.2003 - 29.10.2013	(1), (2)
Mr. LIU Guoyuan	9.54	1,000,000	0.046%	28.10.2003 - 27.10.2013	(1), (2)
Mr. ZHANG Fusheng	9.54	800,000	0.037%	29.10.2003 - 28.10.2013	(1), (2)
Mr. WANG Futian	9.54	800,000	0.037%	29.10.2003 - 28.10.2013	(1), (2)
Mr. GAO Weijie	9.54	800,000	0.037%	29.10.2003 - 28.10.2013	(1), (2)
Mr. CHEN Hongsheng	9.54	800,000	0.037%	28.10.2003 - 27.10.2013	(1), (2)
Mr. LI Jianhong	9.54	800,000	0.037%	29.10.2003 - 28.10.2013	(1), (2)
Mr. MA Zehua	9.54	800,000	0.037%	30.10.2003 - 29.10.2013	(1), (2)
Mr. MA Guichuan	9.54	800,000	0.037%	29.10.2003 - 28.10.2013	(1), (2)
Mr. LI Yunpeng	9.54	800,000	0.037%	29.10.2003 - 28.10.2013	(1), (2)
Ms. SUN Yueying	9.54	800,000	0.037%	29.10.2003 - 28.10.2013	(1), (2)
Mr. ZHOU Liancheng	9.54	800,000	0.037%	29.10.2003 - 28.10.2013	(1), (2)
Mr. SUN Jiakang	9.54	1,000,000	0.046%	28.10.2003 - 27.10.2013	(1), (2)
Mr. XU Lirong	9.54	800,000	0.037%	31.10.2003 - 30.10.2013	(1), (2)
Mr. HE Jiale	9.54	700,000	0.032%	31.10.2003 - 30.10.2013	(1), (2)
Mr. LIANG Yanfeng	9.54	800,000	0.037%	30.10.2003 - 29.10.2013	(1), (2)
Mr. WONG Tin Yau, Kelvin	9.54	800,000	0.037%	28.10.2003 - 27.10.2013	(1), (2)
Mr. MENG Qinghui	9.54	800,000	0.037%	28.10.2003 - 27.10.2013	(1), (2)
Mr. LU Chenggang	9.54	500,000	0.023%	29.10.2003 - 28.10.2013	(1), (2)
Mr. QIN Fuyan	9.54	800,000	0.037%	30.10.2003 - 29.10.2013	(1), (2)

Notes:

- (1) The share options were granted to the Directors during the period from 28 October 2003 to 31 October 2003 under the share option scheme adopted by the Shareholders on 23 May 2003 (the “2003 Share Option Scheme”) at an exercise price of HK\$9.54. The options are exercisable at any time within ten years from the commencement date which is the date on which an offer is accepted or deemed to be accepted by the grantee pursuant to the 2003 Share Option Scheme (the “Commencement Date”). The Commencement Date of the options of the Directors was from 28 October 2003 to 31 October 2003.
- (2) These options represent personal interest held by the relevant director as beneficial owner.

(iii) Long positions in underlying shares of equity derivatives of associated corporations

Name of associated corporation	Name of director	Capacity	Nature of Interests	Number of share options outstanding as at the Latest Practicable Date	Percentage of total issued share capital of the associated corporation
COSCO International Holdings Limited*	Capt. WEI Jiafu	Beneficial owner	Personal	1,800,000	0.128%
	Mr. LIU Guoyuan	Beneficial owner	Personal	1,800,000	0.128%
	Mr. LI Jianhong	Beneficial owner	Personal	1,800,000	0.128%
	Mr. ZHOU Liancheng	Beneficial owner	Personal	1,800,000	0.128%
	Mr. SUN Jiakang	Beneficial owner	Personal	900,000	0.064%
	Mr. HE Jiale	Beneficial owner	Personal	1,800,000	0.128%
	Mr. LIANG Yanfeng	Beneficial owner	Personal	1,200,000	0.085%
	Mr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	800,000	0.057%
	Mr. MENG Qinghui	Beneficial owner	Personal	1,200,000	0.085%

* *The share options were granted by COSCO International Holdings Limited, a fellow subsidiary of the Company, on 26 November 2003 under the share option scheme approved by the shareholders of COSCO International Holdings Limited on 17 May 2002 and are exercisable at HK\$0.57 per share at any time between 23 December 2003 and 22 December 2008.*

- (b) As at the Latest Practicable Date, so far as was known to the Directors, the persons (other than the Directors) having interests in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Name	Capacity	Nature of Interests	Number of Shares/Percentage of total issued share capital						Note
			Long Positions	%	Short Positions	%	Lending Pool	%	
COSCO Investments Limited	Beneficial owner	Beneficial interest	200,120,000	9.28	-	-	-	-	(1)
COSCO Hong Kong	Beneficial owner and interest of controlled corporation	Beneficial interest and corporate interest	1,144,166,411	53.07	-	-	-	-	(1)
COSCO	Interest of controlled corporation	Corporate interest	1,144,166,411	53.07	-	-	-	-	(1)
J.P. Morgan Chase & Co.	Beneficial owner, investment manager and custodian corporation/ approved lending agent	Beneficial interest and corporate interest	194,383,928	9.02	-	-	86,489,066	4.01	(2)

Notes:

- (1) Since COSCO Investments Limited (“COSCO Investments”) is a wholly owned subsidiary of COSCO (Hong Kong) which is in turn a wholly owned subsidiary of COSCO, the interests of COSCO Investments are recorded as the interests of COSCO Hong Kong and in turn the interests of COSCO Hong Kong are recorded as the interests of COSCO.
- (2) The corporate interest of J.P. Morgan Chase & Co. was attributable on account through a number of its wholly-owned subsidiaries and non wholly-owned subsidiaries, including, Robert Fleming Asset Management Ltd. (99.96% control), Robert Fleming Holdings Ltd. (96% control) and JF Asset Management Limited (99.99% control).

- (3) The table below shows the posts held by Directors in COSCO, COSCO Hong Kong and COSCO Investments respectively as at the Latest Practicable Date:

COSCO

Name of Director	Posts held in COSCO
Capt. WEI Jiafu	President and Chief Executive Officer
Mr. ZHANG Fusheng	Executive Vice President
Mr. WANG Futian	Executive Vice President
Mr. CHEN Hongsheng	Executive Vice President
Mr. LI Jianhong	Executive Vice President
Mr. MA Zehua	Executive Vice President
Mr. MA Guichuan	Executive Vice President
Mr. LI Yunpeng	Executive Vice President
Ms. SUN Yueying	Chief Financial Officer

COSCO Hong Kong

Name of Director	Posts held in COSCO Hong Kong
Capt. WEI Jiafu	Director and Chairman of the Board of Directors
Mr. LIU Guoyuan	Director, Executive Vice Chairman of the Board of Directors, President and Chief Executive Officer
Mr. LI Yunpeng	Director
Ms. SUN Yueying	Director
Mr. ZHOU Liancheng	Director and Senior Vice-President
Mr. SUN Jiakang	Vice-President
Mr. HE Jiale	Director and Financial Controller
Mr. WONG Tin Yau, Kelvin	Assistant to the President

COSCO Investments

Name of Director	Posts held in COSCO Investments
Mr. MENG Qinghui	Director

- (c) So far as was known to the Directors, as at the Latest Practicable Date, the following persons (other than members of the Group) were directly or indirectly interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the following members of the Group (other than the Company) and the amount of each of such person's interest in such securities was as follows:

Name of member of the Group	Name of substantial shareholder	Interest in share capital/ equity interest of the company concerned	Percentage of shareholding
Cheer Hero Development Limited (a company incorporated in Hong Kong)	China Railway (Hong Kong) Holdings Limited	2,300 ordinary shares	23%
Zhangjiagang Win Hanverky Container Terminal Co., Ltd. (a sino-foreign equity joint venture established in the PRC)	張家港港務集團有限公司 (Zhangjiagang Port Group Co. Ltd.)	Registered Capital in the amount of US\$8,232,000	49%

- (d) Save as disclosed above, as at the Latest Practicable Date:
- (i) so far as was known to the Directors, none of the Directors or chief executives of the Company had any interest or short positions in any shares or underlying shares or interest in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange; and
- (ii) so far as was known to the Directors, there was no person (other than the Directors) who had an interest or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, was, directly or indirectly, interested in 10% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group, or any options in respect of such capital.

3. DIRECTORS' INTERESTS IN CONTRACTS

- (a) Mr. SUN Jiakang has entered into a service agreement with COSCO Pacific Management Company Limited, a wholly owned subsidiary of the Company, on 16 September 2002 for a term of three years commencing from 16 September 2002. The service agreement provides for an annual salary of HK\$2,400,000 to Mr. Sun Jiakang plus an annual bonus as determined by the Board. Such remuneration was determined based on his senior management position in the Company, his level of responsibilities and the remuneration policy of the Group. The agreement is renewable automatically for successive terms of three years subject to termination by either party giving not less than three months' notice in writing to the other party terminating at the end of the initial term or any renewed term of the service agreement.
- (b) Mr. LEE Yip Wah, Peter, an independent non-executive Director, is a consultant of Woo, Kwan, Lee & Lo, the legal advisers on Hong Kong law in relation to the Acquisition, which firm will receive normal professional fees in connection with the Acquisition.
- (c) Save as disclosed herein, as at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.
- (d) Save as disclosed herein, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2003 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by, or leased to the Company or any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.
- (e) Save as disclosed herein, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular and which is significant in relation to the business of the Group.

4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2003 (being the date to which the latest published audited accounts of the Company were made up).

5. EXPERT

- (a) The following are the qualifications of the expert which has given opinion or advice which are contained in this circular:

Name	Qualifications
CLSA	a deemed licensed corporation under the SFO licensed to conduct Types 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO

- (b) (i) As at the Latest Practicable Date, save for the shareholding of 1,950 Shares held by CLSA Limited (a fellow subsidiary of CLSA), 60,000 Shares held by CLSA Limited on behalf of its clients and the 60,000 Shares held by CLSA Limited on behalf of its staff members (altogether representing approximately 0.006% of the total issued share capital of the Company), CLSA and CLSA Limited did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.
- (ii) As at the Latest Practicable Date, neither CLSA nor CLSA Limited had any direct or indirect interest in any assets which have been since 31 December 2003 (being the date to which the latest published audited accounts of the Group were made up) acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group.
- (iii) CLSA has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter dated 10 September 2004 and the references to its name, in the form and context in which they respectively appear.

6. DIRECTORS' INTEREST IN COMPETING BUSINESS

COSCO and its subsidiaries (excluding the Group) ("COSCO Group") carry on the businesses of shipping agency, freight forwarding and/or third party logistics and supporting services relating to the aforesaid services ("Logistics Businesses"), details of which are disclosed in the connected transactions circular issued by the Company dated 13 October 2003. Such businesses may be in competition with similar businesses carried on by COSCO Logistics Co., Ltd. ("COSCO Logistics"), its subsidiaries, jointly controlled entities and associated companies ("COSCO Logistics Group"). The equity interest of COSCO Logistics held by COSCO and the Company are 51% and 49% respectively.

COSCO Group also carries on the business of container terminal operations which may be in competition with the container terminal operation business carried on by the Group.

Capt. WEI Jiafu, Mr. LIU Guoyuan, Mr. ZHANG Fusheng, Mr. WANG Futian, Mr. GAO Weijie, Mr. CHEN Hongsheng, Mr. LI Jianhong, Mr. MA Zehua, Mr. MA Guichuan, Mr. LI Yunpeng, Ms. SUN Yueying, Mr. ZHOU Liancheng, Mr. SUN Jiakang, Mr. XU Lirong, Mr. HE Jiale and Mr. MENG Qinghui, all being Directors, held directorships and/or senior management posts in the COSCO Group as at the Latest Practicable Date.

COSCO entered into a non-competition deed with COSCO Logistics and COSCO Pacific Logistics Company Limited (a wholly-owned subsidiary of the Company holding 49% equity interest in COSCO Logistics) on 22 September 2003 (“**Non-competition Deed**”). Pursuant to the Non-competition Deed:

- (i) COSCO has undertaken to procure that its subsidiary COSCO International Freight Company Limited (“**COSFRE**”) will only provide shipping services for and freight forwarding services primarily for COSCO Container Lines Company Limited (another subsidiary of COSCO which operates container vessels);
- (ii) COSCO has undertaken to procure that all of its Logistics Businesses (except for COSFRE) in competition with the core businesses of COSCO Logistics Group, if not already disposed of by COSCO or acquired by COSCO Logistics Group, will be terminated or wound up within three years from the date of the Non-competition Deed;
- (iii) COSCO has given a 5-year option (subject to any right of first refusal of third parties under applicable legal requirements) to COSCO Logistics to purchase from COSCO any businesses that may compete with or may be similar in nature to the core businesses of the COSCO Logistics Group at a fair market value and on fair and normal commercial terms; and
- (iv) COSCO Logistics shall have a right of first refusal (subject to any right of first refusal of third parties under applicable legal requirements) in respect of the sale by COSCO of any company or business that may be in competition with any business of the COSCO Logistics Group.

The Board is of the view that, taking into account the Non-competition Deed, the Group is capable of carrying on its businesses independently of the Logistics Businesses and/or the container terminal operations business carried on by COSCO Group. When making decisions on the Logistics Businesses and the container terminal operations business, the relevant Directors, in the performance of their duties as directors of the Company, have acted and will continue to act in the best interest of the Group.

7. LITIGATION

So far as the Directors are aware, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or arbitration of material importance was pending or threatened against the Company or any of its subsidiaries as at the Latest Practicable Date.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong during normal business hours up to and including 24 September 2004:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the Agreement;
- (c) the letter from CLSA, the text of which is set out in this circular;
- (d) the service agreement referred to in the paragraph headed "Directors' Interests in Contracts" of this appendix; and
- (e) the written consents referred to in the paragraph headed "Expert" of this appendix.

9. MISCELLANEOUS

- (a) The registered office of the Company is at Clarendon House, Church Street, Hamilton HM 11, Bermuda.
- (b) The Hong Kong branch share registrar and transfer office of the Company is Secretaries Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (c) The Company Secretary of the Company is Ms. HUNG Man, a practising solicitor in Hong Kong.
- (d) The qualified accountant of the Company is Mr. LI Wai Ho, who is the Financial Controller of the Company and a member of the Chartered Institute of Management Accountants and the Hong Kong Institute of Certified Public Accountants.
- (e) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

NOTICE OF SPECIAL GENERAL MEETING



COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

NOTICE IS HEREBY GIVEN that a special general meeting (the “Special General Meeting”) of COSCO Pacific Limited (the “Company”) will be held at 49th Floor, COSCO Tower, 183 Queen’s Road Central, Hong Kong on Tuesday, 5 October 2004 at 2:30 p.m. for the purpose of considering and, if thought fit, passing the following resolution, with or without modifications, as ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the agreement for the acquisition of 163,701,456 non-publicly tradeable State-owned legal person shares in the capital of China International Marine Containers (Group) Co., Ltd. (中國國際海運集裝箱(集團)股份有限公司) from China Ocean Shipping (Group) Company (a copy of which has been produced at this meeting and marked as “Exhibit-A” and signed by the chairman of the meeting for the purpose of identification) between COSCO Container Industries Limited, a wholly-owned subsidiary of the Company, and China Ocean Shipping (Group) Company dated 19 August 2004 (the “Agreement”) (details of which are set out in the circular of the Company dated 10 September 2004 to its shareholders) and all transactions contemplated thereby be and are hereby approved, confirmed and ratified; and
- (b) the directors of the Company be and are hereby authorized for and on behalf of the Company to do all such things and sign, seal, execute, perfect, perform and deliver all such documents as they may in their absolute discretion consider necessary or desirable or expedient to give effect to the Agreement or for the implementation of all transactions contemplated thereunder.”

By Order of the Board
HUNG Man
Company Secretary

Hong Kong, 10 September 2004

NOTICE OF SPECIAL GENERAL MEETING

Registered Office:

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Principal Place of Business:

49th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

Notes:

1. The ordinary resolution to be considered at the Special General Meeting will be decided by poll. On voting by poll, each shareholder of the Company shall have one vote for each share held in the Company.
2. A shareholder of the Company entitled to attend and vote at the Special General Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead in accordance with the Company's Bye-laws. A proxy need not be a shareholder of the Company.
3. A form of proxy for use at the Special General Meeting is enclosed herewith.
4. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be lodged at the branch share registrar of the Company in Hong Kong, Secretaries Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not less than 48 hours before the appointed time for holding the Special General Meeting or any adjournment thereof (as the case may be) and in default thereof the form of proxy and such power or authority shall not be treated as valid.
5. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the Special General Meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed revoked.
6. Where there are joint holders of any shares in the Company, any one of such joint holders may vote at the Special General Meeting, either in person or by proxy, in respect of such shares as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

NOTICE OF SPECIAL GENERAL MEETING

7. As at the date of this notice, the board of directors of the Company comprises twenty executive directors, namely, Capt. WEI Jiafu (Chairman), Mr. LIU Guoyuan (Vice Chairman), Mr. ZHANG Fusheng, Mr. WANG Futian, Mr. GAO Weijie, Mr. CHEN Hongsheng, Mr. LI Jianhong, Mr. MA Zehua, Mr. MA Guichuan, Mr. LI Yunpeng, Ms. SUN Yueying, Mr. ZHOU Liancheng, Mr. SUN Jiakang (Managing Director), Mr. XU Lirong, Mr. HE Jiale, Mr. LIANG Yanfeng, Mr. WONG Tin Yau, Kelvin, Mr. MENG Qinghui, Mr. LU Chenggang and Mr. QIN Fuyan; four independent non-executive directors, namely, Dr. LI Kwok Po, David, Mr. LIU Lit Man, Mr. Alexander Reid HAMILTON and Mr. LEE Yip Wah, Peter and one non-executive director, namely, Mr. KWONG Che Keung, Gordon.