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COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 1199)

DISCLOSEABLE TRANSACTION

ACQUISITION OF 25% INTEREST IN ANTWERP GATEWAY NV

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DEFINITIONS

Term	Meaning
“Acquisition”	the acquisition of the Sale Shares and 25% of the Shareholders’ Loan by the Purchaser from the Seller pursuant to the Share Purchase Agreement and Shareholders Agreement
“Antwerp Gateway”	Antwerp Gateway NV, a company limited by shares incorporated under the laws of Belgium
“Antwerp Project”	the project in which Antwerp Gateway is to develop, equip and operate a container terminal on the east side of the Deurganckdock in the Port of Antwerp, whose concession rights were granted by APA to Antwerp Gateway in September 2003 following a competitive tender
“APA”	Antwerp Port Authority, Belgium, which is an autonomous municipal body with a separate corporate identity formed to own the docks and sites used by the port operators and concessionaires
“Belgium”	Kingdom of Belgium
“Board”	the Board of Directors of the Company
“Board Resolutions”	resolutions passed in a meeting of the board of directors of the relevant company duly convened with all necessary requirements and formalities fulfilled pursuant to the relevant company’s constitution
“Company”	COSCO Pacific Limited
“Completion”	the completion of the Share Purchase Agreement in accordance with its terms
“Concession Agreement”	the agreement between Antwerp Gateway and APA entered into on 20 April 2004, evidencing the granting of the concession rights in connection with the Antwerp Project by APA to Antwerp Gateway in September 2003, which is to be expired on 31 December 2046
“COSCO”	China Ocean Shipping (Group) Company, the ultimate holding company of the Company and a state-owned enterprise in the PRC
“€”	Euro, the lawful currency of the European Union
“Germany”	Federal Republic of Germany
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	2 December 2004, being the latest practicable date before the printing of this circular for ascertaining certain information for the purpose of inclusion in this circular
“LIBOR”	London Inter-Bank Offered Rate

DEFINITIONS

“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Port of Antwerp”	a major European port in Antwerp in the northern part of Belgium leading to the North Sea
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan)
“Purchaser”	COSCO Ports (Antwerp) NV, a company limited by shares incorporated under the laws of Belgium, jointly held by COSCO Ports (Belgium) Limited and Win Hanverky Investments Limited (both being companies limited by shares incorporated under the laws of Hong Kong and indirect wholly owned subsidiaries of the Company)
“Sale Shares”	25% shares of the fully paid-up share capital of Antwerp Gateway to be acquired by the Purchaser and to be sold by the Seller under the Share Purchase Agreement, i.e. 12,500 shares out of the 50,000 total shares of Antwerp Gateway valued at €10 each
“Seller”	P&O Ports Europe NV, a company limited by shares incorporated under the laws of Belgium
“share(s)”	share(s) in the capital of Antwerp Gateway
“Share Purchase Agreement”	the Share Purchase Agreement between the Purchaser, the Company and the Seller
“Shareholders Agreement”	the Shareholders Agreement between the Purchaser, the Seller, P&O Nedlloyd Holdings Limited, Duisport Duisburger Hafen AG, and Antwerp Gateway
“Shareholders’ Loan”	the loan made by the 3 shareholders of Antwerp Gateway prior to the Acquisition — the Seller, P&O Nedlloyd Holdings Limited and Duisport Duisburger Hafen AG — to Antwerp Gateway in the sum of €24,122,225, pursuant to a shareholders’ loan agreement made between the 3 aforesaid lending shareholders and Antwerp Gateway dated 23 September 2004
“Singapore”	Republic of Singapore
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TEU”	twenty-foot equivalent unit

For the purpose of this circular, the exchange rate at €1 to HK\$10.083 has been adopted where applicable for the purpose of illustration only, and does not constitute a representation that any amount has been, could have been or may be exchanged at any particular rate on the date or dates in question or any other date.

LETTER FROM THE CHAIRMAN



COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 1199)

Executive Directors:

Capt. WEI Jiafu (*Chairman*)
Mr. LIU Guoyuan (*Vice Chairman*)
Mr. ZHANG Fusheng
Mr. WANG Futian
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. WONG Tin Yau, Kelvin
Mr. MENG Qinghui
Mr. LU Chenggang
Mr. QIN Fuyan

Registered Office:

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Church Street
Hamilton HM 11
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Principal Place of Business:

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183 Queen's Road Central
Hong Kong

Independent Non-executive Directors:

Dr. LI Kwok Po, David
Mr. LIU Lit Man, *GBS, JP, FIBA*
Mr. Alexander Reid HAMILTON

Non-executive Director:

Mr. KWONG Che Keung, Gordon

Company Secretary:

Ms. HUNG Man

Hong Kong, 8 December 2004

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

ACQUISITION OF 25% INTEREST IN ANTWERP GATEWAY NV

1. INTRODUCTION

On 18 November 2004, the Board announced that the Company entered into the Share Purchase Agreement on 16 November 2004 with the Seller to acquire the Sale Shares through the Purchaser, a Belgium company jointly held by COSCO Ports (Belgium) Limited and Win Hanverky Investments

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Limited (both being the wholly owned subsidiaries of the Company). The Acquisition includes a transfer of the benefit of and title to 25% of the Shareholders' Loan from the Seller to the Purchaser.

A Shareholders Agreement was also entered into by the Purchaser, the 3 shareholders of Antwerp Gateway prior to the Acquisition — the Seller, P&O Nedlloyd Holdings Limited and Duisport Duisburger Hafen AG — as well as Antwerp Gateway on the same day.

Antwerp Gateway was incorporated under the laws of Belgium for the purpose of developing, equipping and operating a container terminal on the east side of the Deurganckdock in the Port of Antwerp in Belgium, whose concession rights have been granted to Antwerp Gateway by APA.

The consideration of the Acquisition may possibly amount to €133,879,058 (equivalent approximately to HK\$1,349,902,542), which shall be satisfied in full by internal resources of the Company. Part of the consideration, in the amount of €126,344,444 (equivalent approximately to HK\$1,273,931,029) represents the potential financial contribution which the Purchaser as a shareholder of Antwerp Gateway may be requested to make, in part or in full, for the development of the Antwerp Project. The consideration is arrived at after arm's length negotiations and is considered by the Board to be in the interests of the shareholders of the Company and the Company as a whole.

The main purpose of this circular is to provide the shareholders with further information relating to the Acquisition which constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

2. THE AGREEMENTS

2.1 Share Purchase Agreement

Date : 16 November 2004

Parties : (i) Purchaser
(ii) Seller

The Seller is not a connected person (as defined under the Listing Rules) of the Company.

Interest to be acquired

The Purchaser has agreed to acquire the Sale Shares from the Seller. The Acquisition includes a transfer of 25% of the benefit of and title to the Shareholders' Loan from the Seller to the Purchaser and shall also give rise to the Purchaser gaining a 25% interest in the Antwerp Project.

Antwerp Gateway, not a connected person as defined under the Listing Rules, is a consortium formed under the laws of Belgium on 26 October 2000 as a company limited by shares with a fully paid-up share capital of €62,000 represented by 6,200 registered shares valued at €10 each (with no nominal value). The share capital was enlarged to €500,000, fully paid-up and represented by 50,000 registered shares valued at €10 each (with no nominal value) on 5 November 2004.

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The purpose of the incorporation of Antwerp Gateway is to realise and implement the Antwerp Project, and the concession rights of which were granted to Antwerp Gateway by APA in September 2003 with the relevant Concession Agreement entered into on 20 April 2004, thus Antwerp Gateway has not had any substantial business since its incorporation. The concession rights granted by APA to Antwerp Gateway will expire on 31 December 2046.

Consideration (including projected financial contribution)

The consideration for the Acquisition may amount to €133,879,058 (equivalent approximately to HK\$1,349,902,542), and comprises 5 parts as follows:

- (i) €125,000 being the share price of the Sale Shares (i.e. 12,500 shares valued at €10 per share);
- (ii) €4,058 being the incorporation & holding costs as at the date of the agreement, calculated as an interest rate of 3% above LIBOR (the Board considers such rate as fair and reasonable) on 25% of the fully paid-up share capital of Antwerp Gateway (i.e. on €15,500 for the period from 26 October 2000 to 5 November 2004, and on €125,000 for the period from 6 November 2004 to 16 November 2004);
- (iii) €1,375,000 being an additional purchase price, which is a compensation payment to be made to the Seller following the surrender of part of an existing container terminal facility owned by the Seller and the waiver that APA is to grant to Antwerp Gateway waiving certain conditions contained in the Concession Agreement currently applied to the Antwerp Project. This compensation amount is arrived at after arm's length commercial negotiations and is considered by the Board as fair and reasonable and in the interests of the Company's shareholders and the Company as a whole;
- (iv) €6,030,556 being the transfer price for 25% of the Shareholders' Loan; and
- (v) €126,344,444 being the potential financial contribution for the Antwerp Project to be made to Antwerp Gateway if necessary, which does not constitute a commitment to pay and may not necessarily form part of the consideration if Antwerp Gateway will be successful in obtaining loan funds from external sources, whereby financial contributions from the shareholders shall become unnecessary. The figure stated is derived from deducting the share price of €125,000 (as detailed above) and the 25% shareholders' loan transfer price of €6,030,556 (as detailed above) from the potential financial contribution that the Purchaser may be requested to make, which is expected to be €132,500,000 (being 25% of the total Antwerp Project projected funding requirement of €530,000,000), i.e. €132,500,000 – €125,000 – €6,030,556 = €126,344,444.

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Basis for determination of the consideration

The consideration is arrived at after arm's length negotiations between the parties by reference to the relevant prices of the available comparables (which being the Company's recent investments in container terminal projects), as well as the growth record of the Port of Antwerp for the past 10 years (as reported by APA) together with the growth forecast of the Port of Antwerp for the coming 15 years as conducted by the Company (as outlined later in this circular), hence the return potential of the Antwerp Project. The Company is also satisfied with the results of the relevant legal and financial due diligence on Antwerp Gateway conducted by the Company's Belgian legal adviser before the agreement date.

Payments under the Share Purchase Agreement

The share price (€125,000) and the incorporation and holding costs (€4,058) will be paid in full in cash upon Completion. The additional purchase price (€1,375,000) is to be paid in cash following the Seller's surrendering part of an existing container terminal facility and APA's waiver in writing waiving certain conditions as contained in the Concession Agreement currently applied to the Antwerp Project. The shareholders' loan transfer price will be paid in part in the sum of €2,915,713 in cash upon Completion, such part represents 25% of the called portion of the Shareholders' Loan as at the agreement date (total amount called being €11,662,853). The remaining part of the shareholders' loan transfer price of €3,114,843 (i.e. the uncalled portion) shall be made to Antwerp Gateway when the same is to be called. The potential financial contribution (€126,344,444) will only be made in cash to Antwerp Gateway when external loan funds on favourable terms are unavailable to Antwerp Gateway.

Events to take place prior to Completion of the Acquisition

Completion of the Acquisition is conditional upon the fulfillment of the following conditions precedents in the Share Purchase Agreement:

- (a) APA's written approval that the change of control in Antwerp Gateway as a result of the Acquisition shall not cause the concession rights to be terminated (fulfilled as at the agreement date);
- (b) Written consent from the 2 shareholders in Antwerp Gateway other than the Seller that they agree to the transfer of shares to the Purchaser and that they shall waive their pre-emptive rights relating to the transfer of shares (fulfilled as at the agreement date);
- (c) The Seller to obtain all necessary approval and written consent from APA and all existing shareholders of Antwerp Gateway, and the Purchaser to provide all assistance and assurance as reasonably required by APA in relation to the Acquisition; and
- (d) Due compliance with the Listing Rules as required by the Stock Exchange.

The conditions precedent must be realised no later than 15 December 2004. The Share Purchase Agreement shall be automatically rescinded and be considered null and void in the event that the conditions precedent will not be fulfilled on or before the said date, or any other date to be mutually agreed by the parties in writing. The Share Purchase Agreement has not provided for any waiver for the above conditions precedents, neither do the parties to the

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agreement have any intention to waive any such conditions. As at the Latest Practicable Date, except for (a) and (b) above, the conditions precedent have not been fully fulfilled, and none of the conditions precedent has been waived.

Completion of the Share Purchase Agreement

The date of Completion is contemplated to be 16 December 2004, or such other date as may be agreed upon between the Purchaser and the Seller. In any event, Completion must take place no later than 31 December 2004, subject to the fulfillment of the conditions precedent and must be within 10 days from the fulfillment of all conditions precedent.

Upon Completion, the Consideration abovesaid shall be paid by the Purchaser to the Seller, except for the additional purchase price (€1,375,000), which shall be paid when the Seller is to surrender part of an existing container terminal facility as aforesaid and upon APA's written waiver expected to be given towards the end of 2005, and except for the uncalled portion of the shareholders' loan (€3,114,843) as aforesaid which shall be made when being called, and except for the potential financial contribution (€126,344,444) which shall only be made, in part or in full to Antwerp Gateway, when necessary. In the unlikely event that the APA's waiver aforementioned is not to be granted, the development and investment may thereby possibly be confined to the existing phase which comprises approximately 60% of the area of the Antwerp Project contemplated herein, and the amount of the potential financial contribution will be reduced accordingly. In addition, upon Completion, the transfer of the relevant shares shall take place and be registered in Antwerp Gateway's share book, and the Seller shall cause Antwerp Gateway to issue share certificates duly endorsed in respect of the relevant shares transferred as well as cause all necessary prior Board Resolutions to be made for the same.

The relevant loan assignment for the transfer of the 25% Shareholders Loan shall also be executed upon Completion.

2.2 Shareholders Agreement

Date : 16 November 2004

Parties : (i) Purchaser
(ii) Seller
(iii) P&O Nedlloyd Holdings Limited
(iv) Duisport Duisburger Hafen AG
(v) Antwerp Gateway

Significant terms in the Shareholders Agreement

- (a) Transfer of the Sale Shares from the Seller to the Purchaser;
- (b) The Sale Shares to be held by the Purchaser be known as "C" Shares, the shares held by the Seller be known as "P" Shares, the shares held by P&O Nedlloyd Holdings Limited be known as "N" Shares, the shares be held by Duisport Duisburger Hafen AG be known as "D" Shares. All the shares in Antwerp Gateway shall rank *pari passu*. The labels of the shares, namely, "C", "P", "N" and "D", are for identification purpose only and shall not represent any preferential rights attaching to the shares denominated with a particular name.

LETTER FROM THE CHAIRMAN

- (c) Potential ongoing funding requirements from shareholders of Antwerp Gateway, which shall not constitute an obligation imposed on the shareholders of Antwerp Gateway — such funding requirements will preferably be satisfied by loan funds from external lenders or financial institutions. In the event that loan funds from external sources on favourable terms are unavailable, the shareholders will be requested to advance monies to Antwerp Gateway in proportion to their respective shareholdings in Antwerp Gateway by way of shareholders' loans. In the further event that such shareholders' loans are unavailable, the shareholders will be required to contribute additional capital to Antwerp Gateway in proportion to their respective shareholdings in Antwerp Gateway. If any shareholder shall elect not to or fail to provide such additional capital contribution, other shareholders shall be entitled, but not obliged, to provide for the shortfall of capital whereby diluting the non-financing shareholder's interest in Antwerp Gateway;
- (d) Calculation basis of dilution of interests for non-financing shareholders in the event of capital funding, whereby the non-financing shareholder's interest shall be diluted in proportion to the part or whole of the capital shortfall that the non-financing shareholder elects not or fails to provide;
- (e) Prohibitions of transfer or disposal of any shares during the first 3 years from the date of the Shareholders Agreement without the consent of all other shareholders, and no mortgage, charge or other encumbrances over the shares without the written consent from all other shareholders; and
- (f) Any shareholder wishing to transfer or otherwise dispose of any share must first give prior written notice to all other shareholders specifying the proposed price and other conditions of the transfer allowing other shareholders to exercise their pre-emptive rights in acquiring these shares.

3. INFORMATION IN RELATION TO ANTWERP GATEWAY

Antwerp Gateway is, as abovesaid, a consortium formed under the laws of Belgium as a company with limited liability for the purpose of realising and implementing the Antwerp Project. As the concession rights in relation to the Antwerp Project was only granted by APA to Antwerp Gateway in September 2003 following a competitive tender and the relevant Concession Agreement entered into on 20 April 2004, the Antwerp Project is at its initial development stage, therefore expectedly, Antwerp Gateway has not had any substantial business since its incorporation.

The existing shareholders of Antwerp Gateway are the Seller (67.5%), P&O Nedlloyd Holdings Limited (a British company) (25%) and Duisport Duisburger Hafen AG (a German company) (7.5%). The Sale Shares shall be transferred solely from the Seller to the Purchaser, thereby reducing the Seller's interest to 42.5%.

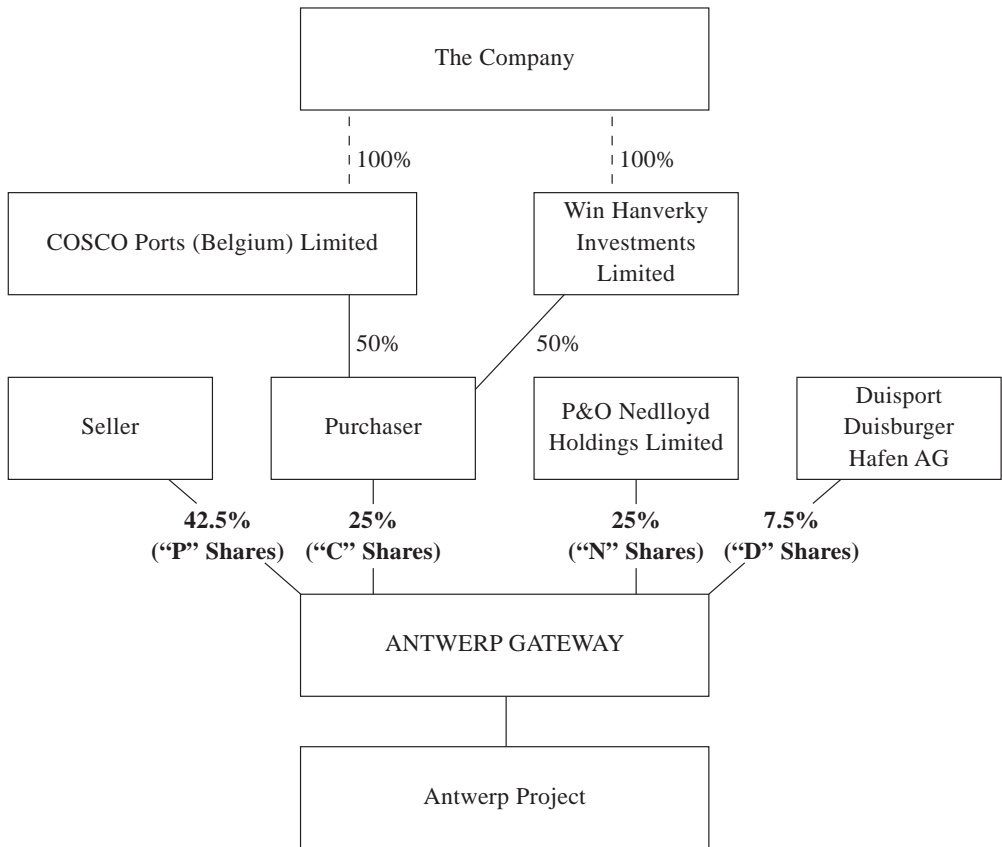
The Seller may procure a fifth shareholder. In such event, the Purchaser shall dispose of 5% of its interest in Antwerp Gateway, pursuant to an option it grants to the Seller under the Share Purchase Agreement to repurchase 5% of the shares (out of the 25% interest to be held by the Purchaser) of Antwerp Gateway and the corresponding 5% of the Shareholders' Loan acquired by the Purchaser. The sale price of the said 5% of the shares of Antwerp Gateway in such circumstances shall be 20% of the aggregate amount of the share transfer price of €125,000, the incorporation and holding costs of €4,058 plus such applicable rate as calculated up to the date of transfer, and additional purchase price of €1,375,000 (if paid), or shall be the fair market value to be determined by an independent valuer, subject to the agreement of the relevant parties involved. The transfer

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price of the corresponding 5% of the Shareholders' Loan under this repurchase option shall be 5% of the called portion of the Shareholders' Loan as at the date of transfer. In the event that such repurchase arrangement is to constitute a notifiable and/or connected transaction within the definitions in the Listing Rules, the Company shall accordingly comply with all relevant requirements contained therein.

For the purpose of the Acquisition, the Company has formed an indirect wholly owned subsidiary in Hong Kong, COSCO Ports (Belgium) Limited, to hold 50% interest in the Purchaser. Win Hanverky Investments Limited, another indirect wholly owned subsidiary of the Company, holds the remaining 50% interest in the Purchaser.

Immediately after the Acquisition, the shareholding structure of Antwerp Gateway shall be as follows:



----- denotes a series of wholly-owned subsidiaries

To the best knowledge, information and belief of the Board, which has made all reasonable enquiries, the Board confirms that all the parties herein (and their beneficial owners, if any) are third parties independent and not connected persons (as defined under the Listing Rules) of the Company, and that no connected person (as defined under Rule 14A of the Listing Rules) is involved in the Acquisition.

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4. REASONS FOR AND BENEFITS OF THE ACQUISITION

Being one of the world's leading container-related conglomerates, the Company has its port operations around the world with current focus in Asia Pacific. In pursuing the Company's strategy of capturing global opportunities and establishing a worldwide terminal network to serve port users, it seeks to capitalise on its solid foundation in the PRC to invest and participate in prominent and promising international projects to further strengthen its foothold in Europe and the Atlantic.

Besides its other businesses, the Company presently holds interest in 13 terminals in China and 1 in Singapore. The Acquisition reflects the Company's strategy of and commitment to diversifying its investments and market presence geographically, leveraging on the Company's strong financial position and solid experience in developing and operating container terminals.

Antwerp Gateway has been granted the concession rights to develop, equip and operate the entire east side of the Deurganckdock in the Port of Antwerp until end of year 2046. Antwerp has long been a key port for European cargo. The vast port area sprawls over 13,348 hectares of land. The Port of Antwerp handles 140 million tonnes of cargo per year. The volume makes Antwerp the second largest port in Europe and the fourth largest in the world. In terms of containerised goods, the volume that the Port of Antwerp handled in 2003 came to 61.4 million tonnes or 5.4 million TEU, ranking it the third largest container port in Europe, after Rotterdam and Hamburg, and tenth largest in the world. During the first half of 2004, the Port of Antwerp continued to experience a strong growth in container traffic. As compared to the same period in 2003, according to APA, the container volumes rose by 14.9%. For the past 10 years, APA reports that the port has grown at a cumulative average growth rate of 10%. According to the forecast generated by the Company on the market growth rate of the Port of Antwerp, the port is expected to experience an average growth rate in the region of 10% per year for the next 15 years. The strong growth in the past causes the existing terminals in Antwerp to operate at close to capacity, and the future growth as forecasted by the Company further confirms the imminent need to expand the port and its handling capacity. The Antwerp Project will thus be expected to alleviate the current capacity constraints and absorb the future growth in traffic of the busy Port of Antwerp.

The Board believes the terms of the Acquisition are fair and reasonable and in the interests of the Company's shareholders and the Company as a whole.

5. FINANCIAL EFFECTS OF THE ACQUISITION

The Board considers that the Acquisition shall not bring about any immediate and significant effect on the earnings and assets and liabilities of the Company for the following reasons:

- (i) Financing of the consideration will be provided by internal cash resources of the Company;
- (ii) Under the Acquisition, the Company is to acquire a 25% interest in Antwerp Gateway, the accounts of Antwerp Gateway shall therefore not be consolidated into the accounts of the Company;
- (iii) As the Concession Agreement was only entered into recently on 20 April 2004, Antwerp Gateway does not have any material trading records to date; and

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- (iv) A major part of the consideration described hereinabove in the amount of €126,344,444 may not even form an actual part of the consideration, as it is the intention of Antwerp Gateway to preferably satisfy the funding requirement for the Antwerp Project by external loan funds, as specified in the Shareholders Agreement.

6. INFORMATION ON THE COMPANY

The Company is principally in the business of container leasing, container terminal development and operation, logistics and other container-related business and investments.

7. DISCLOSEABLE TRANSACTION

None of the directors and the substantial shareholders of the Company is interested in the Acquisition other than by virtue of their respective shareholdings or directorships in the Company or its relevant subsidiaries and associated companies.

Applying the total asset test to the Acquisition, the relevant asset ratio computed exceeds 5% but is less than 25% of the total consolidated assets of the Company determined in accordance with Rule 14.07(1) of the Listing Rules. Accordingly, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules.

8. ADDITIONAL INFORMATION

Your attention is also drawn to the General Information set out in the Appendix of this Circular.

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

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 (the “Directors”) 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 of the Company

Name of director	Capacity	Nature of interests	No. of shares held	% of total issued share capital
Mr. KWONG Che Keung, Gordon	Beneficial Owner	Personal	250,000	0.011%
Dr. LI Kwok Po, David	Beneficial Owner	Personal	258,000	0.011%

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

(a) Movements of share options granted under the 1994 Share Option Scheme

Name of director	Exercise price (HK\$)	Number of share options			% of total issued share capital	Note
		Outstanding as at 1.9.2004 (Note 1)	Exercised from 1.9.2004 to the Latest Practicable Date	Outstanding as at the Latest Practicable Date		
Mr. WONG Tin Yau, Kelvin	8.80	4,000,000	(1,772,000)	2,228,000	0.102%	(3), (4)
Mr. QIN Fuyan	5.53	1,500,000	—	1,500,000	0.069%	(2), (4)

Notes:

- (1) 1 September 2004 is the latest practicable date of the last circular published by the Company dated 10 September 2004.
- (2) The share options were granted on 1 July 1996 under the share option scheme adopted by the shareholders of the Company (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.*

- (3) 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.
- (4) These options represent the personal interest held by the relevant director as beneficial owner.
- (5) From 1 September 2004 to the Latest Practicable Date, no share options of the above directors were cancelled or lapsed.

(b) *Movements of share options granted under the 2003 Share Option Scheme*

Name of director	Exercise price (HK\$)	Number of share options			% of total issued share capital	Exercisable period	Note
		Outstanding as at 1.9.2004 (Note 1)	Exercised from 1.9.2004 to the Latest Practicable Date	Outstanding as at the Latest Practicable Date			
Capt. WEI Jiafu	9.54	1,000,000	—	1,000,000	0.046%	30.10.2003–29.10.2013	(2), (3)
Mr. LIU Guoyuan	9.54	1,000,000	(750,000)	250,000	0.011%	28.10.2003–27.10.2013	(2), (3)
Mr. ZHANG Fusheng	9.54	800,000	—	800,000	0.037%	29.10.2003–28.10.2013	(2), (3)
Mr. WANG Futian	9.54	800,000	—	800,000	0.037%	29.10.2003–28.10.2013	(2), (3)
Mr. CHEN Hongsheng	9.54	800,000	—	800,000	0.037%	28.10.2003–27.10.2013	(2), (3)
Mr. LI Jianhong	9.54	800,000	—	800,000	0.037%	29.10.2003–28.10.2013	(2), (3)
Mr. MA Zehua	9.54	800,000	—	800,000	0.037%	30.10.2003–29.10.2013	(2), (3)
Mr. MA Guichuan	9.54	800,000	—	800,000	0.037%	29.10.2003–28.10.2013	(2), (3)
Mr. LI Yunpeng	9.54	800,000	—	800,000	0.037%	29.10.2003–28.10.2013	(2), (3)
Ms. SUN Yueying	9.54	800,000	—	800,000	0.037%	29.10.2003–28.10.2013	(2), (3)
Mr. ZHOU Liancheng	9.54	800,000	(400,000)	400,000	0.018%	29.10.2003–28.10.2013	(2), (3)
Mr. SUN Jiakang	9.54	1,000,000	(600,000)	400,000	0.018%	28.10.2003–27.10.2013	(2), (3)
Mr. XU Lirong	9.54	800,000	—	800,000	0.037%	31.10.2003–30.10.2013	(2), (3)
Mr. HE Jiale	9.54	700,000	(600,000)	100,000	0.005%	31.10.2003–30.10.2013	(2), (3)
Mr. WONG Tin Yau, Kelvin	9.54	800,000	—	800,000	0.037%	28.10.2003–27.10.2013	(2), (3)
Mr. MENG Qinghui	9.54	800,000	(622,000)	178,000	0.008%	28.10.2003–27.10.2013	(2), (3)
Mr. LU Chenggang	9.54	500,000	(500,000)	—	—	29.10.2003–28.10.2013	(2), (3)
Mr. QIN Fuyan	9.54	800,000	(800,000)	—	—	30.10.2003–29.10.2013	(2), (3)
Mr. GAO Weijie (resigned on 13.10.2004)	9.54	800,000	(800,000)	—	—	29.10.2003–28.10.2013	(2), (3)
Mr. LIANG Yanfeng (resigned on 13.10.2004)	9.54	800,000	(800,000)	—	—	30.10.2003–29.10.2013	(2), (3)

Notes:

- (1) 1 September 2004 is the latest practicable date of the last circular published by the Company dated 10 September 2004.
 - (2) 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.
 - (3) These options represent personal interest held by the relevant director as beneficial owner.
 - (4) From 1 September 2004 to the Latest Practicable Date, no share options of the above directors were cancelled or lapsed.
- (c) *Offer of share options by the Company under the 2003 Share Option Scheme in 2004*

Name of Director	Number of share options held	% of total issued share capital
Capt. WEI Jiafu	1,000,000	0.046%
Mr. LIU Guoyuan	1,000,000	0.046%
Mr. ZHANG Fusheng	1,000,000	0.046%
Mr. WANG Futian	1,000,000	0.046%
Mr. CHEN Hongsheng	1,000,000	0.046%
Mr. LI Jianhong	1,000,000	0.046%
Mr. MA Zehua	1,000,000	0.046%
Mr. MA Guichuan	1,000,000	0.046%
Mr. LI Yunpeng	1,000,000	0.046%
Ms. SUN Yueying	1,000,000	0.046%
Mr. ZHOU Liancheng	1,000,000	0.046%
Mr. SUN Jiakang	1,000,000	0.046%
Mr. XU Lirong	1,000,000	0.046%
Mr. HE Jiale	1,000,000	0.046%
Mr. WONG Tin Yau, Kelvin	1,000,000	0.046%
Mr. MENG Qinghui	1,000,000	0.046%
Mr. LU Chenggang	1,000,000	0.046%
Mr. QIN Fuyan	1,000,000	0.046%

Note: These share options were offered to the above directors under the 2003 Share Option Scheme at an exercise price of HK\$13.75 on 19 November 2004 and are open for acceptance on or before 16 December 2004. The options, if accepted, are exercisable at any time within ten years from the Commencement Date (being the date on which an offer is accepted or deemed to be accepted by the grantee pursuant to the 2003 Share Option Scheme).

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

(a) Movements of share options granted by associated corporation

Name of associated corporation	Name of director	Number of share options			% of total issued share capital of the associated corporation	Note
		Outstanding as at 1.9.2004 (Note 1)	Exercised from 1.9.2004 to the Latest Practicable Date	Outstanding as at the Latest Practicable Date		
COSCO International Holdings Limited	Capt. WEI Jiafu	1,800,000	—	1,800,000	0.127%	(2), (3)
	Mr. LIU Guoyuan	1,800,000	—	1,800,000	0.127%	(2), (3)
	Mr. LI Jianhong	1,800,000	—	1,800,000	0.127%	(2), (3)
	Mr. ZHOU Liancheng	1,800,000	—	1,800,000	0.127%	(2), (3)
	Mr. SUN Jiakang	900,000	—	900,000	0.064%	(2), (3)
	Mr. HE Jiale	1,800,000	—	1,800,000	0.127%	(2), (3)
	Mr. WONG Tin Yau, Kelvin	800,000	—	800,000	0.057%	(2), (3)
	Mr. MENG Qinghui	1,200,000	—	1,200,000	0.085%	(2), (3)

Notes:

- (1) 1 September 2004 is the latest practicable date of the last circular published by the Company dated 10 September 2004.
- (2) 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 (the "CIHL Share Option Scheme") and are exercisable at HK\$0.57 per share at any time between 23 December 2003 and 22 December 2008.
- (3) These options represent personal interest held by the relevant director as beneficial owner.
- (4) From 1 September 2004 to the Latest Practicable Date, no share options of the above directors were cancelled or lapsed.

(b) *Offer of share options by associated corporation in 2004*

<u>Name of associated corporation</u>	<u>Name of director</u>	<u>Number of share options held</u>	<u>% of total issued share capital of the associated corporation</u>
COSCO International Holdings Limited	Capt. WEI Jiafu	1,200,000	0.085%
	Mr. LIU Guoyuan	1,200,000	0.085%
	Mr. LI Jianhong	1,200,000	0.085%
	Mr. ZHOU Liancheng	1,200,000	0.085%
	Mr. SUN Jiakang	800,000	0.057%
	Mr. HE Jiale	1,200,000	0.085%
	Mr. WONG Tin Yau, Kelvin	500,000	0.035%
	Mr. MENG Qinghui	800,000	0.057%

Note: These share options were offered to the above directors by COSCO International Holdings Limited under CIHL Share Option Scheme at an exercise price of HK\$1.37 on 2 December 2004 and are open for acceptance on or before 29 December 2004. The options, if accepted, are exercisable at any time from 29 December 2004 to 28 December 2014.

(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	9.19	—	—	—	—	(1)
COSCO (Hong Kong) Group Limited	Beneficial owner and interest of controlled corporation	Beneficial interest and corporate interest	1,144,166,411	52.53	—	—	—	—	(1)
China Ocean Shipping (Group) Company	Interest of controlled corporation	Corporate interest	1,144,166,411	52.53	—	—	—	—	(1)
J.P. Morgan Chase & Co.	Beneficial owner, investment manager and custodian corporation/ approved lending agent	Beneficial interest and corporate interest	171,827,528	7.89	—	—	82,815,066	3.80	(2)

Notes:

- (1) Since COSCO Investments Limited (“COSCO Investments”) is a wholly-owned subsidiary of COSCO (Hong Kong) Group Limited (“COSCO Hong Kong”) which is in turn a wholly owned subsidiary of China Ocean Shipping (Group) Company (“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. (not a connected person as defined under the Listing Rules) 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).

- (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 or the chief executives of the Company, 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) 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.
- (c) 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.
- (d) Save as disclosed herein, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting as 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. 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. 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 interests of the Group.

6. 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.

7. 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.