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## **COSCO Pacific Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code : 1199)**

### **DISCLOSEABLE TRANSACTION AGREEMENT IN RELATION TO THE ESTABLISHMENT OF A SINO-FOREIGN JOINT VENTURE IN NANSHA, GUANGZHOU PORT OF THE PRC**

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A letter from the Chairman of COSCO Pacific Limited is set out on pages 3 to 6 of this circular.

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## DEFINITIONS

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

“Board”	the board of Directors
“Company”	COSCO Pacific Limited
“connected person”	has the meaning ascribed to it under the Listing Rules and references to “connected” and “independent” shall be construed accordingly
“Container Terminal”	the proposed container terminal at Nansha Port Phase II in Guangzhou Port of the PRC comprising six berths with a quay length of approximately 2,100 metres
“COSCO Ports (Nansha)”	COSCO Ports (Nansha) Limited, a company established in the British Virgin Islands and a wholly owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Heads of Agreement”	the agreement entered into between COSCO Ports (Nansha) and the PRC Partner on 16 April 2005 in relation to the establishment of the JV Company
“JV Company”	a sino-foreign equity joint venture company proposed to be incorporated in the PRC to carry out the construction and operation of the Container Terminal
“Latest Practicable Date”	29 April 2005, 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
“PRC Partner”	Guangzhou Port Container Comprehensive Development Co., Ltd. (廣州港集裝箱綜合發展有限公司), a company established in the PRC and a wholly owned subsidiary of Guangzhou Port Group Co., Ltd. (廣州港集團有限公司)
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	share(s) in the capital of the Company

## DEFINITIONS

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“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 = RMB1.06, and translation of US\$ into Hong Kong dollars is calculated by using an exchange rate of US\$1 = HK\$7.8.*



**COSCO Pacific Limited**

*(Incorporated in Bermuda with limited liability)*

*Executive Directors:*

Mr. 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:*

Clarendon House  
Church Street  
Hamilton HM 11  
Bermuda

*Principal Place of Business:*

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

*Independent Non-executive Directors:*

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

*Non-executive Director:*

Mr. KWONG Che Keung, Gordon

*Company Secretary:*

Ms. HUNG Man

9 May 2005

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION  
AGREEMENT IN RELATION TO THE ESTABLISHMENT OF  
A SINO-FOREIGN JOINT VENTURE IN  
NANSHA, GUANGZHOU PORT OF THE PRC**

**1. INTRODUCTION**

On 16 April 2005, the Board announced that the Company (through COSCO Ports (Nansha)) entered into the JV Heads of Agreement with the PRC Partner in relation to the establishment of the JV Company to construct, own and operate the Container Terminal.

# LETTER FROM THE CHAIRMAN

The registered capital of the JV Company will be RMB1,403,171,000, which will be contributed by COSCO Ports (Nansha) and the PRC Partner as to 56% and 44% respectively. The total investment amount of the JV Company will be RMB4,009,060,000.

Applying the relevant percentage ratios set out in Rule 14.07 of the Listing Rules, the entering into of the JV Heads of Agreement constitutes a discloseable transaction of the Company under the Listing Rules.

The purpose of this circular is to provide the shareholders of the Company with further information regarding the JV Heads of Agreement.

## 2. THE JV HEADS OF AGREEMENT

**(a) Date:**

16 April 2005

**(b) Parties:**

COSCO Ports (Nansha)  
The PRC Partner

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the PRC Partner and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

**(c) Business Activities of the JV Company:**

Upon its establishment, the JV Company will be engaged in the construction and operation of the Container Terminal.

**(d) Total Investment Amount and Registered Capital:**

The total investment amount of the JV Company will be RMB4,009,060,000.

The registered capital of the JV Company will be RMB1,403,171,000, of which:

- (i) 56% (being RMB785,775,800) will be contributed in cash in US\$ equivalent by COSCO Ports (Nansha); and
- (ii) 44% (being RMB617,395,200) will be contributed in cash in RMB by the PRC Partner,

unless COSCO Ports (Nansha) and the PRC Partner agree to contributions in kind.

It is currently intended that the Group's capital contribution to the JV Company will be financed through its internal resources.

The timing of the contributions will be in accordance with the terms of the joint venture contract in relation to the JV Company to be entered into and the laws and regulations of the PRC.

Pursuant to the JV Heads of Agreement, the difference between the total investment amount and the amount of registered capital will be met by bank borrowings. If required by the JV Company, the parties to the JV Heads of Agreement will provide guarantees to the banks in respect of the loans in proportion to their equity interests in the JV Company.

# LETTER FROM THE CHAIRMAN

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Pursuant to the JV Heads of Agreement, COSCO Ports (Nansha) will procure the allocation of parts of its shares to new shareholders of COSCO Ports (Nansha) (“Consortium Members”) within one year (but will strive to do so within nine months) after the establishment of the JV Company, so that the Consortium Members will have an effective interest of not less than 13% in the JV Company. The Consortium Members should be the world’s top ten container shipping companies or other companies, which can provide business supports to the container terminal in Nansha. The directors of the Company intend that the consideration for such allocation would, at least, reflect the relevant portion of the Company’s cost of investment in COSCO Ports (Nansha). In respect of such allocation, the Company will comply with the relevant requirements of the Listing Rules (if applicable).

**(e) Term of Cooperation:**

30 years from the date of issue of the business licence of the JV Company. The term may be extended by agreement between the parties.

**(f) Distribution of Profits:**

Net profits of the JV Company, after deducting contributions to various funds (such as the reserve fund, the workers and staff bonus and welfare fund and the business development fund), will generally be distributed to COSCO Ports (Nansha) and the PRC Partner in proportion to their equity interests in the JV Company.

**(g) Effect of the JV Heads of Agreement:**

The JV Heads of Agreement forms the basis of the joint venture contract and other documents in relation to the JV Company to be signed between COSCO Ports (Nansha) and the PRC Partner. The JV Heads of Agreement will cease to have effect on the day on which the joint venture contract and articles of association in respect of the JV Company take effect (as approved by the PRC authorities).

### **3. REASONS FOR AND BENEFITS OF THE ESTABLISHMENT OF THE JV COMPANY**

As one of the world’s leading container-related conglomerates, the Company has an integrated range of activities spanning container leasing, container terminals, logistics, container manufacturing and other investments. The Board considers the proposed construction and operation of the Container Terminal to be a good opportunity to expand the Company’s container terminal network in the PRC.

The amount of registered capital of the JV Company to be contributed by COSCO Ports (Nansha) was determined after arm’s length negotiations between the parties to the JV Heads of Agreement. The Board believes that the terms of the JV Heads of Agreement are fair and reasonable and in the interests of the shareholders of the Company as a whole.

# LETTER FROM THE CHAIRMAN

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## 4. FINANCIAL EFFECTS OF THE JV HEADS OF AGREEMENT

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

- (a) financing of the Group's capital contribution is currently intended to be satisfied by internal resources of the Company;
- (b) the JV Company is yet to be established and will be engaged in the construction of the Container Terminal. The JV Company will not commence operation immediately;
- (c) under the JV Heads of Agreement, the difference between the total investment amount and the amount of registered capital will be met by bank borrowings. If required by the JV Company, the Company will provide guarantees to the banks in respect of the loans in proportion to its effective equity interests in the JV Company;
- (d) it is intended that the Consortium Members will contribute their shares of the capital contribution and if required by the JV Company, will provide guarantees to the banks in respect of the loan in proportion to their effective equity interests in the JV Company; and
- (e) as the terms of the joint venture contract in relation to the JV Company have yet to be finalised, it is unable to determine for accounting purposes whether the JV Company will be accounted for as a subsidiary or a jointly controlled entity at this stage.

## 5. INFORMATION ABOUT THE PRC PARTNER

The PRC Partner is principally engaged in international and domestic container terminal operation.

## 6. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to 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 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 as at the Latest Practicable Date
Mr. KWONG Che Keung, Gordon	Beneficial Owner	Personal	250,000	0.011%
Dr. LI Kwok Po, David	Beneficial Owner	Personal	258,000	0.012%

### (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 as at the Latest Practicable Date
Mr. WONG Tin Yau, Kelvin	8.80	1,500,000	0.068%

#### Notes:

- (1) The share options were granted on 20 May 1997 (the "Offer Date") under the share option scheme adopted by the shareholders of the Company 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:
  - (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.

- (2) These options represent personal interest held by the 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 as at the Latest Practicable Date	Exercisable period	Note
Mr. WEI Jiafu	9.54	1,000,000	0.046%	30.10.2003–29.10.2013	(1), (3)
	13.75	1,000,000	0.046%	3.12.2004–2.12.2014	(2), (3)
Mr. LIU Guoyuan	13.75	1,000,000	0.046%	29.11.2004–28.11.2014	(2), (3)
Mr. ZHANG Fusheng	9.54	800,000	0.037%	29.10.2003–28.10.2013	(1), (3)
	13.75	1,000,000	0.046%	3.12.2004–2.12.2014	(2), (3)
Mr. WANG Futian	9.54	800,000	0.037%	29.10.2003–28.10.2013	(1), (3)
	13.75	1,000,000	0.046%	3.12.2004–2.12.2014	(2), (3)
Mr. CHEN Hongsheng	9.54	800,000	0.037%	28.10.2003–27.10.2013	(1), (3)
	13.75	1,000,000	0.046%	3.12.2004–2.12.2014	(2), (3)
Mr. LI Jianhong	9.54	800,000	0.037%	29.10.2003–28.10.2013	(1), (3)
	13.75	1,000,000	0.046%	2.12.2004–1.12.2014	(2), (3)
Mr. MA Zehua	9.54	800,000	0.037%	30.10.2003–29.10.2013	(1), (3)
	13.75	1,000,000	0.046%	3.12.2004–2.12.2014	(2), (3)
Mr. MA Guichuan	9.54	800,000	0.037%	29.10.2003–28.10.2013	(1), (3)
	13.75	1,000,000	0.046%	3.12.2004–2.12.2014	(2), (3)
Mr. LI Yunpeng	9.54	800,000	0.037%	29.10.2003–28.10.2013	(1), (3)
	13.75	1,000,000	0.046%	3.12.2004–2.12.2014	(2), (3)
Ms. SUN Yueying	9.54	800,000	0.037%	29.10.2003–28.10.2013	(1), (3)
	13.75	1,000,000	0.046%	3.12.2004–2.12.2014	(2), (3)
Mr. ZHOU Liancheng	9.54	194,000	0.009%	29.10.2003–28.10.2013	(1), (3)
	13.75	1,000,000	0.046%	29.11.2004–28.11.2014	(2), (3)
Mr. SUN Jiakang	9.54	200,000	0.009%	28.10.2003–27.10.2013	(1), (3)
	13.75	1,000,000	0.046%	1.12.2004–30.11.2014	(2), (3)
Mr. XU Lirong	9.54	800,000	0.037%	31.10.2003–30.10.2013	(1), (3)
	13.75	1,000,000	0.046%	2.12.2004–1.12.2014	(2), (3)
Mr. HE Jiale	13.75	500,000	0.023%	30.11.2004–29.11.2014	(2), (3)
Mr. WONG Tin Yau, Kelvin	9.54	800,000	0.037%	28.10.2003–27.10.2013	(1), (3)
	13.75	1,000,000	0.046%	2.12.2004–1.12.2014	(2), (3)

Name of Director	Exercise price (HK\$)	Number of share options outstanding as at the Latest Practicable Date	Percentage of total issued share capital as at the Latest Practicable Date	Exercisable period	Note
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(Continued)

Mr. MENG Qinghui	13.75	1,000,000	0.046%	29.11.2004–28.11.2014	(2), (3)
Mr. LU Chenggang	13.75	1,000,000	0.046%	29.11.2004–28.11.2014	(2), (3)
Mr. QIN Fuyan	13.75	1,000,000	0.046%	29.11.2004–28.11.2014	(2), (3)

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 of the Company on 23 May 2003 (the “2003 Share Option Scheme”). 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) The share options were granted to the Directors during the period from 29 November 2004 to 3 December 2004 under the 2003 Share Option Scheme. The options are exercisable at any time within ten years from the Commencement Date. The Commencement Date of the options of the Directors was from 29 November 2004 to 3 December 2004.
- (3) 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	Exercise price (HK\$)	Number of share options outstanding as at the Latest Practicable Date	Percentage of total issued share capital of the associated corporation as at the Latest Practicable Date	Note
COSCO International Holdings Limited	Mr. WEI Jiafu	0.57	1,800,000	0.127%	(1), (3)
		1.37	1,200,000	0.085%	(2), (3)
	Mr. LIU Guoyuan	0.57	1,800,000	0.127%	(1), (3)
		1.37	1,200,000	0.085%	(2), (3)
	Mr. LI Jianhong	0.57	1,800,000	0.127%	(1), (3)
		1.37	1,200,000	0.085%	(2), (3)
	Mr. ZHOU Liancheng	0.57	1,800,000	0.127%	(1), (3)
		1.37	1,200,000	0.085%	(2), (3)
	Mr. SUN Jiakang	0.57	900,000	0.064%	(1), (3)
		1.37	800,000	0.056%	(2), (3)

Name of associated corporation	Name of director	Exercise price HK\$	Number of share options outstanding as at the Latest Practicable Date	Percentage of total issued share capital of the associated corporation as at the Latest Practicable Date		Note
<i>(Continued)</i>						
COSCO International Holdings Limited	Mr. HE Jiale	0.57	1,800,000	0.127%	(1), (3)	
		1.37	1,200,000	0.085%	(2), (3)	
	Mr. WONG Tin Yau, Kelvin	0.57	800,000	0.056%	(1), (3)	
		1.37	500,000	0.035%	(2), (3)	
	Mr. MENG Qinghui	0.57	1,200,000	0.085%	(1), (3)	
		1.37	800,000	0.056%	(2), (3)	

*Notes:*

- (1) The share options were granted by COSCO International Holdings Limited (“COSCO International”), a fellow subsidiary of the Company, on 26 November 2003 under the share option scheme approved by the shareholders of COSCO International on 17 May 2002 (the “Share Option Scheme of COSCO International”) and are exercisable at any time between 23 December 2003 and 22 December 2008.
- (2) The share options were granted by COSCO International on 2 December 2004 under the Share Option Scheme of COSCO International and are exercisable at any time between 29 December 2004 and 28 December 2014.
- (3) These options represent personal interest held by the relevant Director as beneficial owner.

- (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 as at the Latest Practicable Date						Note
			Long Positions	%	Short Positions	%	Lending Pool	%	
COSCO Investments Limited	Beneficial owner	Beneficial interest	200,120,000	9.13	—	—	—	—	(1)
COSCO Pacific Investment Holdings Limited	Beneficial owner and interest of controlled corporation	Beneficial interest and corporate interest	1,144,166,411	52.21	—	—	—	—	(1)
China Ocean Shipping (Group) Company	Interest of controlled corporation	Corporate interest	1,144,166,411	52.21	—	—	—	—	(1)

Notes:

- (1) Since COSCO Investments Limited (“COSCO Investments”) is a wholly owned subsidiary of COSCO Pacific Investment Holdings Limited (“COSCO Pacific Investment”) which is in turn a wholly owned subsidiary of China Ocean Shipping (Group) Company (“COSCO”), the interests of COSCO Investments were recorded as the interests of COSCO Pacific Investment and in turn the interests of COSCO Pacific Investment were recorded as the interests of COSCO.
- (2) The table below shows the posts held by Directors in COSCO, COSCO Pacific Investment and COSCO Investments respectively as at the Latest Practicable Date:

***COSCO***

<b>Name of Director</b>	<b>Post held in COSCO</b>
Mr. 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 Pacific Investment***

<b>Name of Director</b>	<b>Post held in COSCO Pacific Investment</b>
Mr. WEI Jiafu	Director
Mr. LI Jianhong	Director
Ms. SUN Yueying	Director
Mr. SUN Jiakang	Director

***COSCO Investments***

<b>Name of Director</b>	<b>Post held in COSCO Investments</b>
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:

<u>Name of member of the Group</u>	<u>Name of substantial shareholder</u>	<u>Interest in share capital/equity interest of the company concerned</u>	<u>Percentage of shareholding</u>
Cheer Hero Development Limited <i>(a company incorporated in Hong Kong)</i>	China Railway (Hong Kong) Holdings Limited	2,300 ordinary shares	23%
Zhangjiagang Win Hanverky Container Terminal Co., Ltd. <i>(a sino-foreign equity joint venture established in the PRC)</i>	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) 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 2004 (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 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 2004 (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) (the "COSCO Group") carry on, among others, 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 (collectively the "COSCO LOGISTICS Group"). As at the Latest Practicable Date, COSCO and the Group has 51% and 49% equity interests in COSCO LOGISTICS respectively.

As at the Latest Practicable Date, Mr. 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 and/or other companies which carry on the business of container terminal operations ("Container Terminal Business", which may be in competition with the container terminal operations business carried on by the Group).

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 Business. 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.