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COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

DISCLOSEABLE TRANSACTION

CIMC SHARE REFORM PROPOSAL

A letter from the Chairman of COSCO Pacific Limited is set out on pages 3 to 8 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
“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)
“CIMC Tradable A-Share(s)”	publicly tradable A share(s) of CIMC
“CIMC Tradable A-Share Shareholder(s)”	holder(s) of CIMC Tradable A-Shares
“CIMC Tradable B-Share(s)”	publicly tradable B share(s) of CIMC
“CIMC Tradable B-Share Shareholder(s)”	holder(s) of CIMC Tradable B-Shares
“CIMC Non-tradable Share(s)”	non-publicly tradable share(s) of CIMC
“CIMC Share Reform Proposal”	the proposal for the conversion of the CIMC Non-tradable Shares into CIMC Tradable A-Shares
“Company”	COSCO Pacific Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Grantees”	grantees of the Put Options
“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 People’s Republic of China
“Implementation Date”	the date of implementation of the CIMC Share Reform Proposal
“Latest Practicable Date”	26th April 2006, being the latest practicable date prior to the publication of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which, for the purpose of this circular, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Put Options”	the options under the share put-option certificates (認沽權證) issued to the CIMC Tradable A-Share Shareholders whereby the CIMC Tradable A-Share Shareholders are entitled to sell certain portion of their respective CIMC Tradable A-Shares to the Group
“RMB”	Renminbi yuan, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“S\$”	Singaporean dollars, the lawful currency of the Republic of Singapore
“US\$”	United States dollars, the lawful currency of the United States of America



COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

Directors:

Dr. WEI Jiafu² (*Chairman*)
Mr. CHEN Hongsheng¹
Mr. LI Jianhong¹
Ms. SUN Yueying¹
Dr. SUN Jiakang¹ (*Vice Chairman & Managing Director*)
Mr. XU Lirong²
Mr. WONG Tin Yau, Kelvin¹
Mr. WANG Zhi¹
Mr. QIN Fuyan¹
Dr. LI Kwok Po, David³
Mr. LIU Lit Man³
Mr. CHOW Kwong Fai, Edward³
Mr. Timothy George FRESHWATER³

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

Company Secretary:

Ms. HUNG Man, Michelle

¹ Executive Director

² Non-executive Director

³ Independent Non-executive Director

3rd May 2006

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

CIMC SHARE REFORM PROPOSAL

1. INTRODUCTION

In an announcement of the Company dated 4th April 2006 and published on 6th April 2006, the Board announced that the CIMC Share Reform Proposal was made by the Group for the conversion of the CIMC Non-tradable Shares held by the Group into CIMC Tradable A-Shares which are publicly tradable on the Shenzhen Stock Exchange and that communication with the CIMC Tradable A-Share Shareholders would be made for the purpose of soliciting their views on the CIMC Share Reform Proposal.

LETTER FROM THE CHAIRMAN

Subsequently, in an announcement dated 11th April 2006 and published on 12th April 2006, the Board announced that such communication ended on 11th April 2006 and that the principal terms of the CIMC Share Reform Proposal, which were summarised in the Company's announcement dated 4th April 2006, were finalised on that day, but subject to the obtaining of the requisite shareholders' approvals.

The proposed granting of the Put Options under the CIMC Share Reform Proposal constitutes a discloseable transaction of the Company.

The purpose of this circular is to provide the shareholders of the Company with further information regarding the CIMC Share Reform Proposal.

2. THE CIMC SHARE REFORM PROPOSAL

Principal terms of CIMC Share Reform Proposal

Under the CIMC Share Reform Proposal, the Company will grant Put Options to the CIMC Tradable A-Share Shareholders so that the CIMC Tradable A-Share Shareholders will have the right to sell certain portion of their CIMC Tradable A-Shares to the Company. The principal terms of the CIMC Share Reform Proposal are summarised as follows:

1. *Issuer of Put Options:*

The Company.

2. *Grantees:*

CIMC Tradable A-Share Shareholders (who together hold approximately 30.04% of the issued share capital of CIMC). To the best of the knowledge, information and belief of the Company having made all reasonable enquiries, the current registered CIMC Tradable A-Share Shareholders are third parties independent of the Company and connected persons of the Company.

3. *Proportion in which Put Options will be granted:*

Put Options for the sale of 1 CIMC Tradable A-Share each will be granted in the proportion of 7 Put Options for every 10 CIMC Tradable A-Shares.

4. *Status of the Put Options:*

Listed and tradable on the Shenzhen Stock Exchange.

5. *Cost of the Put Options to the Grantees:*

Nil.

6. *Expiry date and exercise period of the Put Options:*

Bermuda (i.e. European) style options which expire on the last day of the 18-month period commencing on the date of listing of the Put Options on the Shenzhen Stock Exchange. The exercise period is the period of five trading days immediately before and including the expiry date.

LETTER FROM THE CHAIRMAN

7. *Exercise price:*

RMB10 (in cash).

The exercise price has been determined on the basis of the Black-Scholes option pricing model. The closing price of CIMC Tradable A-Shares on the Shenzhen Stock Exchange on 10th March 2006 (immediately prior to the suspension of tradings of CIMC Tradable A-Shares on the Shenzhen Stock Exchange on 13th March 2006) was RMB9.16 per CIMC Tradable A-Shares.

On the basis of the above exercise price and assuming that all the Grantees exercise all Put Options in full, it is expected that the Group will have to pay a total sum of approximately RMB4,241,065,070 in cash to acquire the relevant CIMC Tradable A-Shares. Such a sum is currently intended to be funded from the Group's internal resources and/or borrowing.

However, if no Put Option is exercised by the Grantees or a small number of the Put Options are exercised, the amount of money that the Group is required to pay under the CIMC Share Reform Proposal will be zero or minimal.

The above two scenarios may be summarised as follows:

Exercise of Put Options	Consideration to be paid by the Group	Resulting percentage of shareholding of the Group in CIMC (approximate)
Full exercise	RMB4,241,065,070	37.26% (Notes 1 and 2)
No exercise	Nil	16.23% (Note 3)

Notes:

1. On the basis that any obligation to make a mandatory offer will be waived by China Securities Regulatory Commission on the application of the Group.
2. The accounting treatment of such shareholding in CIMC and the profit derived therefrom will be by way of equity accounting.
3. The accounting treatment of such shareholding in CIMC and the profit derived therefrom is by way of equity accounting.

8. *Adjustments*

The exercise of the Put Options is subject to the following adjustments:

(1) *In case of ex-rights of CIMC Tradable A-Shares*

New exercise price = Original exercise price x (Reference price for CIMC A-Shares on ex-rights date/Closing price of CIMC Tradable A-Shares quoted on the trading day immediately preceding the ex-rights date).

LETTER FROM THE CHAIRMAN

New exercise ratio = Original exercise ratio x (Closing price of CIMC Tradable A-Shares quoted on the trading day immediately preceding the ex-rights date/ Reference price for CIMC Tradable A-Shares on ex-rights date).

(2) *In case of ex-dividend of CIMC Tradable A-Shares*

New exercise price = Original exercise price x (Reference price for CIMC Tradable A-Shares on ex-dividend date/Closing price of CIMC Tradable A-Shares quoted on the trading day prior to the ex-dividend date).

No change to exercise ratio.

If the CIMC Share Reform Proposal is implemented, each CIMC Non-tradable Share held by the Group will be converted into 1 CIMC Tradable A-Share.

Conditions of CIMC Share Reform Proposal

The implementation of the CIMC Share Reform Proposal is conditional upon:

- (1) the approvals of more than two-thirds of (i) the shareholders of CIMC Tradable A-Shares and CIMC Non-tradable Shares who vote on the CIMC Share Reform Proposal and (ii) CIMC Tradable A-Share Shareholders who vote on the CIMC Share Reform Proposal;
- (2) the completion of all the necessary formalities for the purpose of enabling the trading on the Shenzhen Stock Exchange of those CIMC Tradable A-Shares to be converted from the CIMC Non-tradable Shares; and
- (3) the provision of bank guarantee in relation to the Company's potential payment obligations pursuant to the exercise of the Put Options by the Grantees.

If any of the above conditions are not satisfied, the CIMC Share Reform Proposal will not be implemented. The CIMC Tradable B-Share Shareholders will not be involved in the CIMC Share Reform Proposal and no consent is required to be obtained from them.

On 28th April 2006, the shareholders of CIMC Tradable A-Shares and CIMC Non-tradable Shares as well as the CIMC Tradable A-Share Shareholders approved the CIMC Share Reform Proposal. On 20th April 2006, a bank guarantee was provided in respect of the Company's potential payment obligations pursuant to the exercise of the Put Options by the Grantees. Accordingly, the conditions set out in items (1) and (3) above have been satisfied. Efforts are being made to satisfy the condition set out in item (2) above.

The CIMC Tradable A-Shares to be converted from the CIMC Non-tradable Shares will be subject to a 12 month lock-up from the Implementation Date, and thereafter subject to the restrictions that (i) the total number of such CIMC Tradable A-Shares sold by the holder through the Shenzhen Stock Exchange within the 12-month period immediately following the expiry of the lock-up period shall not exceed 5% of the total issued shares of CIMC and (ii) the total number of such CIMC Tradable A-Shares sold by the holder through the Shenzhen Stock Exchange within the 24-month period immediately following the expiry of the lock-up period shall not exceed 10% of the total issued shares of CIMC.

LETTER FROM THE CHAIRMAN

3. REASONS FOR AND BENEFITS OF THE CIMC SHARE REFORM PROPOSAL

Pursuant to the guidelines and other relevant documents in relation to the equity division reform of listed companies issued by the PRC authorities, the Group made the CIMC Share Reform Proposal. The implementation of the CIMC Share Reform Proposal is in line with the prevailing development of the securities market of the PRC and will render the CIMC Non-tradable Shares held by the Group becoming CIMC Tradable A-Shares which are publicly tradable on the Shenzhen Stock Exchange. The Board (including the independent non-executive Directors) consider that the terms of the CIMC Share Reform Proposal (including the grant of the Put Options) are fair and reasonable and in the interests of the shareholders of the Company as a whole whilst giving enough incentive for the CIMC Tradable A-Share Shareholders to support the CIMC Share Reform Proposal.

4. FINANCIAL EFFECTS OF THE CIMC SHARE REFORM PROPOSAL

If the CIMC Share Reform Proposal proceeds and the Put Options are granted and fully exercised, the Group would expect to acquire 424,106,507 CIMC Tradable A-Shares pursuant to the CIMC Share Reform Proposal. Accordingly, based on (i) the financial results and figures disclosed in the consolidated financial statements of the Company for the year ended 31st December 2005 and in the consolidated financial statements of CIMC prepared in accordance with the International Financial Reporting Standards for the year ended 31st December 2005, (ii) the consideration for the settlement of the Put Options (the "Consideration") to be fully funded by borrowings (the "New Loan") and (iii) the Consideration exceeding the fair values of CIMC's assets and liabilities being acquired, there would have been the following effects on the profit, net asset value and net gearing ratio of the Group:

1. The Group's consolidated profit attributable to the Company's equity holders (after taking into account the additional share of CIMC's net profit for the year ended 31st December 2005 and the additional interest on the New Loan) would have increased by approximately 13.7%. Based on the weighted average number of shares in issue for the year ended 31st December 2005, the Group's basic earnings per share for the year ended 31st December 2005 would have also increased by approximately 13.7%.
2. The Group's consolidated net asset value (after taking into account, inter alia, the additional share of CIMC's net assets as at 31st December 2005 and the additional interest on the New Loan) would have increased by approximately 1.6%. Based on the Company's number of shares in issue as at 31st December 2005, the consolidated net asset value per share of the Company would have increased by approximately 1.6%.
3. The consolidated net gearing ratio of the Group would have increased by 26.9 percentage points from 34.7% to approximately 61.6%.

5. INFORMATION RELATING TO THE COMPANY AND CIMC

As one of the world's leading container-related conglomerates, the Group has an integrated range of activities spanning container leasing, container terminals, logistics, container-related industries and other investments.

Since an acquisition in 2004 as disclosed in the Company's announcement dated 19th August 2004, the Company through a wholly owned subsidiary has owned CIMC Non-tradable Shares representing approximately 16.23% of the issued share capital of CIMC.

LETTER FROM THE CHAIRMAN

CIMC is a joint stock limited company established in the PRC and its A shares and B shares are listed and traded on the Shenzhen Stock Exchange in the PRC. It 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. Its shareholders comprise three categories (holding the approximate percentages of the issued share capital of CIMC indicated below respectively): (i) CIMC Tradable B-Share Shareholders (53.73%); (ii) CIMC Tradable A-Share Shareholders (30.04%); and (iii) the holder of CIMC Non-tradable Shares, which are held solely by the Group (16.23%).

According to the published audited consolidated accounts of CIMC prepared in accordance with the International Financial Reporting Standards, the audited profit before and after taxation of CIMC for the year ended 31st December 2005 were approximately RMB3,172,223,000 and RMB2,947,599,000 respectively, and the audited net asset value of CIMC as at 31st December 2005 was approximately RMB10,510,972,000. The audited profit before and after taxation of CIMC for the year ended 31st December 2004 were approximately RMB2,847,209,000 and RMB2,570,104,000 respectively, and the audited net asset value of CIMC as at 31st December 2004 was approximately RMB8,375,775,000.

Trading of the CIMC Tradable A-Shares on the Shenzhen Stock Exchange had been suspended since 13th March 2006 in advance of the CIMC Share Reform Proposal. The closing price of CIMC Tradable A-Shares on the Shenzhen Stock Exchange on 10th March 2006 prior to the suspension was RMB9.16 per CIMC Tradable A-Share.

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 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
Dr. LI Kwok Po, David	Beneficial Owner	Personal	258,000	0.012%
Mr. Timothy George FRESHWATER	Beneficial Owner	Personal	30,000	0.001%

(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	900,000	0.041%

Notes:

- (1) The share options were granted on 20th May 1997 (the “Offer Date”) under the share option scheme adopted by the shareholders of the Company on 30th 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
Dr. WEI Jiafu	9.54	400,000	0.018%	30.10.2003–29.10.2013	(1), (3)
	13.75	1,000,000	0.045%	3.12.2004–2.12.2014	(2), (3)
Mr. CHEN Hongsheng	9.54	300,000	0.014%	28.10.2003–27.10.2013	(1), (3)
	13.75	1,000,000	0.045%	3.12.2004–2.12.2014	(2), (3)
Mr. LI Jianhong	9.54	300,000	0.014%	29.10.2003–28.10.2013	(1), (3)
	13.75	1,000,000	0.045%	2.12.2004–1.12.2014	(2), (3)
Ms. SUN Yueying	9.54	300,000	0.014%	29.10.2003–28.10.2013	(1), (3)
	13.75	1,000,000	0.045%	3.12.2004–2.12.2014	(2), (3)
Dr. SUN Jiakang	9.54	200,000	0.009%	28.10.2003–27.10.2013	(1), (3)
	13.75	1,000,000	0.045%	1.12.2004–30.11.2014	(2), (3)
Mr. XU Lirong	13.75	130,000	0.006%	2.12.2004–1.12.2014	(2), (3)
Mr. WONG Tin Yau, Kelvin	9.54	800,000	0.036%	28.10.2003–27.10.2013	(1), (3)
	13.75	1,000,000	0.045%	2.12.2004–1.12.2014	(2), (3)
Mr. WANG Zhi	13.75	800,000	0.036%	29.11.2004–28.11.2014	(2), (3)
Mr. QIN Fuyan	13.75	200,000	0.009%	29.11.2004–28.11.2014	(2), (3)

Notes:

- (1) The share options were granted to the Directors during the period from 28th October 2003 to 30th October 2003 under the share option scheme adopted by the shareholders of the Company on 23rd May 2003 (the “2003 Share Option Scheme”) at an exercise price of HK\$9.54 per share. 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 28th October 2003 to 30th October 2003.

- (2) The share options were granted to the Directors during the period from 29th November 2004 to 3rd December 2004 under the 2003 Share Option Scheme at an exercise price of HK\$13.75 per share. 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 29th November 2004 to 3rd December 2004.
- (3) These options represent personal interest held by the relevant Director as beneficial owner.

(iii) Long positions in the shares of associated corporations

Name of associated corporation	Name of Director	Capacity	Nature of Interest	Number of ordinary shares held as at the Latest Practicable Date	Percentage of total issued share capital of the relevant associated corporation as at the Latest Practicable Date	Note
China COSCO Holdings Company Limited	Mr. WANG Zhi	Beneficial owner	Personal	40,000	0.002%	
COSCO Corporation (Singapore) Limited	Dr. WEI Jiafu	Beneficial owner	Personal	1,900,000	0.086%	(1)
	Mr. LI Jianhong	Beneficial owner	Personal	700,000	0.032%	(1)
	Ms. SUN Yueying	Beneficial owner	Personal	800,000	0.036%	(1)

Note:

- (1) Adjustment was made as a result of the approval of the sub-division of every 1 ordinary share of S\$0.20 each divided into 2 ordinary shares of S\$0.10 each by shareholders of COSCO Corporation (Singapore) Limited at the extraordinary general meeting held on 17th January 2006.

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

(A) COSCO International Holdings Limited

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	Dr. WEI Jiafu	0.57	1,800,000	0.125%	(1), (3)
		1.37	1,200,000	0.084%	(2), (3)
	Mr. LI Jianhong	0.57	1,800,000	0.125%	(1), (3)
		1.37	1,200,000	0.084%	(2), (3)
	Dr. SUN Jiakang	0.57	900,000	0.063%	(1), (3)
		1.37	800,000	0.056%	(2), (3)
	Mr. WONG Tin Yau, Kelvin	0.57	800,000	0.056%	(1), (3)
		1.37	500,000	0.035%	(2), (3)

Notes:

- (1) The share options were granted by COSCO International Holdings Limited (“COSCO International”), an associated corporation of the Company and a company listed on the Stock Exchange, on 26th November 2003 pursuant to the share option scheme approved by the shareholders of COSCO International on 17th May 2002 (the “Share Option Scheme of COSCO International”). The share options are exercisable at an exercise price of HK\$0.57 per share at any time between 23rd December 2003 and 22nd December 2008.
- (2) The share options were granted by COSCO International on 2nd December 2004 pursuant to the Share Option Scheme of COSCO International. The share options are exercisable at an exercise price of HK\$1.37 per share at any time between 29th December 2004 and 28th December 2014.
- (3) These options represent personal interest held by the relevant Director as beneficial owner.

(B) COSCO Corporation (Singapore) Limited

Name of associated corporation	Name of Director	Exercise price (\$)	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 Corporation (Singapore) Limited	Dr. WEI Jiafu	1.23	1,100,000	0.050%	(2), (3)
	Mr. LI Jianhong	0.807	600,000	0.027%	(1), (3)
		1.23	700,000	0.032%	(2), (3)
	Ms. SUN Yueying	0.807	600,000	0.027%	(1), (3)
		1.23	700,000	0.032%	(2), (3)

Notes:

- (1) The share options were granted by COSCO Corporation (Singapore) Limited (“COSCO Corporation Singapore”), an associated corporation of the Company and a company listed on the Singapore Exchange Securities Trading Limited, on 6th April 2005 and are exercisable at any time between 6th April 2006 and 5th April 2010. Adjustment was made as a result of the approval of the sub-division of every 1 ordinary share of S\$0.20 each divided into 2 ordinary shares of S\$0.10 each by the shareholders of COSCO Corporation Singapore at the extraordinary general meeting held on 17th January 2006.
- (2) The share options were granted by COSCO Corporation Singapore on 21st February 2006 and are exercisable at any time between 21st February 2007 and 20th February 2011.
- (3) These options represent personal interest held by the relevant Director as beneficial owner.

(C) China COSCO Holdings Company Limited

Name of associated corporation	Name of Director	Exercise price (HK\$)	Number of units of share appreciation rights outstanding as at the Latest Practicable Date	Percentage of total issued share capital of the associated corporation as at the Latest Practicable Date	Note
China COSCO Holdings Company Limited	Dr. WEI Jiafu	3.195	900,000	0.040%	(1), (2)
	Mr. CHEN Hongsheng	3.195	700,000	0.031%	(1), (2)
		Mr. LI Jianhong	3.195	600,000	0.027%
	Ms. SUN Yueying	3.195	600,000	0.027%	(1), (2)
	Dr. SUN Jiakang	3.195	500,000	0.022%	(1), (2)
	Mr. XU Lirong	3.195	500,000	0.022%	(1), (2)

Notes:

- (1) The share appreciation rights were granted by China COSCO Holdings Company Limited (incorporated on 3rd March 2005) (“China COSCO”), an associated corporation of the Company and a company listed on the Stock Exchange, in units with each unit representing one H share of China COSCO, on 16th December 2005 pursuant to the share appreciation rights plan adopted by China COSCO (the “Plan”). Under the Plan, no shares will be issued. The share appreciation rights can be exercised at HK\$3.195 per unit at any time between 16th December 2007 and 15th December 2015.
- (2) These share appreciation rights 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	%	
COSCO Investments Limited	Beneficial owner	Beneficial interest	200,120,000	9.03	—	—	(1)
COSCO Pacific Investment Holdings Limited	Beneficial owner and interest of controlled corporation	Beneficial interest and corporate interest	1,144,166,411	51.62	—	—	(1)
China COSCO Holdings Company Limited	Interest of controlled corporation	Corporate interest	1,144,166,411	51.62	—	—	(1)
China Ocean Shipping (Group) Company	Interest of controlled corporation	Corporate interest	1,144,166,411	51.62	—	—	(1)

Notes:

- (1) The 1,144,166,411 shares relate to the same batch of shares in the Company. COSCO Investments Limited (“COSCO Investments”) is a wholly owned subsidiary of COSCO Pacific Investment Holdings Limited (“COSCO Pacific Investment”). Accordingly, the 200,120,000 shares of the Company held by COSCO Investments are also included as part of the COSCO Pacific Investment’s interests in the Company. COSCO Pacific Investment is a wholly owned subsidiary of China COSCO Holdings Company Limited (“China COSCO”) and it itself holds 944,046,411 shares of the Company beneficially. Accordingly, COSCO Pacific Investment’s interests in relation to the 1,144,166,411 shares of the Company are also recorded as China COSCO’s interests in the Company. China Ocean Shipping (Group) Company (“COSCO”) holds 63.5% interest of the issued share capital of China COSCO as at the Latest Practicable Date, and accordingly, COSCO is deemed to have the interests of 1,144,166,411 shares of the Company held by COSCO Pacific Investment.

- (2) The table below shows the posts held by Directors in COSCO, China COSCO, COSCO Pacific Investment and COSCO Investments respectively as at the Latest Practicable Date:

COSCO

Name of Director	Post held in COSCO
Dr. WEI Jiafu	President and CEO
Mr. CHEN Hongsheng	Executive Vice President
Mr. LI Jianhong	Executive Vice President
Ms. SUN Yueying	Chief Financial Officer

China COSCO

Name of Director	Post held in China COSCO
Dr. WEI Jiafu	Chairman and CEO
Mr. CHEN Hongsheng	Director and the President
Mr. LI Jianhong	Director
Ms. SUN Yueying	Director
Dr. SUN Jiakang	Executive Vice President
Mr. XU Lirong	Executive Vice President

COSCO Pacific Investment

Name of Director	Post held in COSCO Pacific Investment
Dr. WEI Jiafu	Director
Mr. CHEN Hongsheng	Director
Mr. LI Jianhong	Director
Ms. SUN Yueying	Director
Dr. SUN Jiakang	Director

COSCO Investments

Name of Director	Post held in COSCO Investments
Dr. SUN Jiakang	Director
Mr. CHEN Hongsheng	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 <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) Dr. SUN Jiakang entered into a service agreement with COSCO Pacific Management Company Limited, a wholly owned subsidiary of the Company, on 16th September 2002 for a term of three years commencing from 16th September 2002. 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

pursuant to the terms of the service agreement. Accordingly, Dr. SUN's service agreement was automatically renewed upon completion of the initial term on 15th September 2005. Dr. SUN, Vice Chairman and Managing Director of the Company, is currently entitled to an annual salary amounting to HK\$5,000,000 which was fixed according to the terms of the service agreement and by reference to his senior management position in the Company, his level of responsibilities and the remuneration policy of the Group plus an annual bonus determined by the Board.

- (b) Mr. WONG Tin Yau, Kelvin has a service agreement with the Company commencing from 22nd July 1996. The agreement is terminable by either party giving to the other party not less than one month's prior notice in writing. Pursuant to the provision in respect of his annual salary (which is subject to adjustment from time to time) under his service agreement, Mr. WONG is currently entitled to an annual salary of HK\$2,040,000. In addition, he is also entitled to a discretionary bonus. His emoluments is based on his senior position in the Company, his level of responsibilities and the remuneration policy of the Group.
- (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 31st December 2005 (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 31st December 2005 (being the date to which the latest published audited accounts of the Company were made up).

5. DIRECTORS' INTEREST IN COMPETING BUSINESS

China Ocean Shipping Group Company ("COSCO") and its subsidiaries (excluding the Group and the COSCO Logistics Group (as defined below)) (collectively 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 13th October 2003. The core of such businesses is unlikely to be in competition with the businesses carried on by COSCO Logistics Co., Ltd. ("COSCO Logistics"), its subsidiaries, jointly controlled entities and associates (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, Dr. WEI Jiafu, Mr. CHEN Hongsheng, Mr. LI Jianhong, Ms. SUN Yueying, Dr. SUN Jiakang and Mr. XU Lirong, all being Directors, held directorships and/or senior management posts in the COSCO Group and/or other companies which have interests in container terminals (“Container Terminal Interests”).

The Board is of the view that the Group is capable of carrying on its businesses independently of the Logistics Businesses and/or the Container Terminal Interests. When making decisions on the logistics businesses and/or the container terminal business of the Group, 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.

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 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong.
- (c) The Company Secretary of the Company is Ms. HUNG Man, Michelle, a practising solicitor in Hong Kong. She is also qualified in England and Wales.
- (d) The qualified accountant of the Company is Mr. LAU Tai Ming, Eddy, who is the Financial Controller of the Company and a fellow member of the Association of Chartered Certified Accountants and a member of 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.