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COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 1199)

MAJOR TRANSACTION

DISPOSAL OF MARINE CONTAINERS

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DEFINITIONS

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

“Administrative Services Agreements”	various administrative services agreements entered into between the Owner and each of the Managers on 20 June 2006 for the provision by the Managers of administrative services effective from 1 July 2006 in respect of the Sold Assets after Completion
“Board”	the board of Directors
“China COSCO”	China COSCO Holdings Company Limited, a joint stock limited company established under the laws of the PRC whose shares are listed on the main board of the Stock Exchange
“Company”	COSCO Pacific Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the main board of the Stock Exchange
“Completion”	completion of the sale of the Sold Assets pursuant to the Sale Agreement
“Completion Date”	30 June 2006, the date on which Completion occurred
“Conditions”	the conditions to which Completion was subject
“connected person”	has the meaning ascribed to it under the Listing Rules
“COSCO”	China Ocean Shipping (Group) Company, the parent company of the Company and a State-owned enterprise in the PRC
“Director(s)”	the director(s) of the Company
“Disposal”	the sale of the Sold Assets by the Sellers to the Purchaser pursuant to the Sale Agreement
“Group”	the Company and its subsidiaries
“FCI”	Florens Container Inc., a company incorporated under the laws of the State of Delaware, the United States of America and an indirect wholly-owned subsidiary of the Company
“Florens HK”	Florens Container Services Company Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“Florens Macau”	Florens Management Services (Macao Commercial Offshore) Limited, a company incorporated in the Macau Special Administrative Region of the PRC and an indirect wholly-owned subsidiary of the Company
“Florens US”	Florens Container Services (USA), Ltd., a company incorporated under the laws of the State of Delaware, the United States of America and an indirect wholly-owned subsidiary of the Company

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	6 July 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Managers”	Florens US, Florens Macau and Florens HK
“Owner”	the Purchaser, a special purpose entity formed to acquire ownership of the Sold Assets, in its capacity as owner of such assets after Completion
“Owner Containers”	any marine containers included within the Sold Assets at Completion and thereafter owned by the Owner and managed by the Managers from time to time subsequent to the Completion Date
“PRC”	The People’s Republic of China
“Purchaser”	“AD ACTA” 634. Vermögensverwaltungsgesellschaft MBH, a special purpose entity formed to purchase the Sold Assets, being a third party independent of the Company, its subsidiaries, their respective directors, chief executive and substantial shareholders or any of their respective associates, or its nominee
“Sale Agreement”	the agreement entered into by the Sellers and the Purchaser on 20 June 2006 for the sale and purchase of the Sold Assets
“Sellers”	FCI, Florens Container, Inc. (2003), Florens Container, Inc. (2004) and Florens Container, Inc. (2005), each an indirect wholly-owned subsidiary of the Company
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	holder(s) of the Share(s)
“Shares”	share(s) in the capital of the Company
“Sold Assets”	the marine containers owned and operated by the Sellers which are transferred under the Sale Agreement to the Purchaser, together with the rights of lessor under the relevant customer leases relating to such containers (to the extent relating to such containers)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“€”	Euro dollar, the lawful currency of the European Union
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong

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“RMB”	Renminbi yuan, the lawful currency of the PRC
“US\$”	U.S. dollars, the lawful currency of the United States of America
“%”	per cent

LETTER FROM THE CHAIRMAN



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

Company Secretary:

Ms. HUNG Man, Michelle

¹ Executive Director

² Non-executive Director

³ Independent Non-executive Director

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

12 July 2006

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

DISPOSAL OF MARINE CONTAINERS

INTRODUCTION

By an announcement dated 20 June 2006, the Directors announced that on 20 June 2006 (a) the Sellers entered into the Sale Agreement with the Purchaser, pursuant to which, subject to the Conditions the Sellers would sell and the Purchaser would purchase the Sold Assets and (b) the Managers entered into the Administrative Services Agreements with the Owner for the provision of

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administrative and management services in connection with the Sold Assets from and after Completion, under which the Sellers and the Managers would receive an aggregate amount of approximately US\$869.4 million on the Completion Date.

As the relevant percentage ratio calculated under Chapter 14 of the Listing Rules in respect of the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to approval by the Shareholders.

The Company has obtained written approvals of the Disposal from COSCO Pacific Investment Holdings Limited and COSCO Investments Limited, which together held approximately 51.58% in nominal value of the securities giving the right to attend and vote at any general meeting of the Company as at the Latest Practicable Date. Pursuant to Rule 14.44 of the Listing Rules, the Disposal which constitutes a major transaction has been approved by way of written shareholders' approval in lieu of holding a general meeting of the Company.

The purpose of this circular is to provide the Shareholders with further information on the Disposal and other information in compliance with the requirements of the Listing Rules.

THE DISPOSAL

The Sale Agreement

The principal terms of the Sale Agreement are set out as follows:

Date : 20 June 2006

Parties : (a) Sellers:

- FCI, an indirect wholly-owned subsidiary of the Company
- Florens Container, Inc. (2003), a direct wholly-owned subsidiary of FCI
- Florens Container, Inc. (2004), a direct wholly-owned subsidiary of FCI
- Florens Container, Inc. (2005), a direct wholly-owned subsidiary of FCI

(b) Purchaser:

“AD ACTA” 634. Vermögensverwaltungsgesellschaft MBH, an entity established for purposes of acquiring and owning the Sold Assets from the Sellers

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and independent of any connected persons of the Company.

The Sold Assets

Pursuant to the Sale Agreement, subject to fulfillment of the Conditions, the Sellers sell and the Purchaser purchases the Sold Assets, which comprise (i) marine containers with an aggregate volume of approximately 600,468 TEUs and representing approximately 59.6% of the marine containers of the Group as at 31 December 2005 and used in its operation of container leasing business, and (ii) the container lease agreements covering those containers (to the extent of the transferred containers) under which the Sellers are the lessors.

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Business in which the Sold Assets have been employed

The Sellers, being wholly-owned subsidiaries of the Company, are principally engaged in the business of acquiring marine containers and leasing marine containers (including the Sold Assets) to international customers. The Sold Assets constitute a significant portion of the marine containers and the related leases of the Group for its international customers.

The net book value (cost less accumulated depreciation) of the containers comprising the Sold Assets as at 31 December 2005 was approximately US\$791.2 million.

The unaudited net profits (before and after taxation) attributable to the Sold Assets for the two years ended 31 December 2005 (as extracted from the management accounts of the Sellers) were as follows:

	Before taxation	After taxation
Net profit for the year ended 31 December 2004	Approximately US\$46.6 million	Approximately US\$29.2 million
Net profit for the year ended 31 December 2005	Approximately US\$50.2 million	Approximately US\$31.7 million

Amounts receivable by the Sellers and the Managers

The amounts receivable by the Sellers and the Managers on the Completion Date in aggregate amounted to approximately US\$869.4 million and consist of the following components:

- (i) the Sellers receive the purchase price of the Sold Assets of approximately US\$846.8 million, which is equal to the estimated net book value of the containers comprising the Sold Assets as at 30 June 2006 plus a premium of 12%;
- (ii) Florens Macau (or other member of the Group) receives an upfront administration fee in the amount of approximately US\$7.4 million (the “Upfront Administration Fee”) for undertaking the administrative functions contemplated and to provide an incentive for Florens Macau to achieve certain performance indicators over the initial five-year term of the relevant Administrative Services Agreement; and
- (iii) Florens Macau (or other member of the Group) receives an additional fee in the amount of approximately US\$15.2 million (the “Finder Fee”) for the services rendered by Florens Macau in connection with the transaction (including but not limited to leading the selling group in the transaction and its documentation).

The purchase price shall be adjusted within two weeks following the Completion on the basis of the actual net book value of the containers transferred to the Purchaser at the Completion Date. The Upfront Administration Fee and the Finder Fee will be non-refundable.

The purchase price and fees above were determined after arm’s length negotiations between the Sellers and the Purchaser.

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Terms of Payment

The aggregate amount of approximately US\$869.4 million was payable by the Purchaser and/or the Owner at the Completion Date.

Conditions and Completion

Completion was subject to fulfillment of the following conditions:

- (i) approval of the Disposal by the Company, as shareholder of the Sellers, and by the Shareholders in accordance with the requirements of the Listing Rules;
- (ii) approval of the Disposal by the shareholders of China COSCO in accordance with the requirements of the Listing Rules;
- (iii) approval by the directors of the Purchaser;
- (iv) accuracy of representations and absence of breach of warranties, agreements and of defaults of the Sellers and the Purchaser;
- (v) adequacy of financing available to the Purchaser;
- (vi) receipts of required approvals, information, confirmations and legal opinions acceptable to the Purchaser; and
- (vii) other conditions customary for such transactions.

Completion has taken place following the satisfaction or waiver by the Purchaser or the Sellers of the conditions to which its or their obligations were subject. Completion occurred on 30 June 2006 and on that date the Sellers and the Managers received the payments from the Purchaser and the Owner.

Guarantee

Florens HK, an indirect wholly-owned subsidiary of the Company, also entered into an agreement with the Purchaser on 20 June 2006 to guarantee the performance by the Sellers of their obligations under the Sale Agreement in favour of the Purchaser.

Administrative Services

The Managers have entered into the Administrative Services Agreements with respect to post-Completion administration of the ownership and leasing of the Sold Assets and any containers replacing or substituting for containers initially included within the Sold Assets, until the Owner Containers have been disposed of, or have been lost, stolen or destroyed and the proceeds from insurance or other sources for such loss have been paid, or if earlier after an initial term of five years (extendable at the option of the Owner) or until the Administrative Services Agreements are terminated under their respective terms.

LETTER FROM THE CHAIRMAN

Subject to Completion, the Managers shall render administrative services with respect to the Sold Assets and the Owner Containers pursuant to their respective Administrative Services Agreements on behalf of the Owner such as:

- (i) administration and renewal of existing lease contracts;
- (ii) sourcing of new lease contracts;
- (iii) administering the return and release of the containers from depots;
- (iv) administration of inspection, maintenance, insurance and storage of the containers;
- (v) disposal of the containers; and
- (vi) collections and payments of bills on behalf of the Owner.

The Managers are not guarantors of the obligations of the ultimate lessees of the containers, and responsibility for custody, care, maintenance, insurance and other terms of the container leases remains with the lessees.

Leasing contracts in respect of the containers forming the Owner Containers will be entered into and administered by the Managers, in each case, in the ordinary course of business consistent with past practices. The lessees of containers shall handle the repair, maintenance, insurance and other services in respect of such containers, and the obligations of the lessees will be monitored by the Managers in the ordinary course, consistent with past practices.

The Managers will also be responsible for rendering regular reports on the operation of the Owner Containers and related customer leases, including revenue summary reports, unit status reports, electronic leasing data and financial reports, unaudited quarterly financial statements and audited annual financial statements.

Administrative Fees

Florens US or Florens HK (as the case may be) will charge the following annual fees for their services:

For long term lease contracts of the containers	—	4% of the net operating income under the contract
For master lease contracts of the containers	—	8% of the net operating income under the contract
For resale of containers	—	2% of the net sales proceeds
For finance lease and other leasing contracts entered into by FCI and ZIM Integrated Shipping Services Limited in respect of certain marine containers under the Sold Assets	—	2% of the net operating income under the contract

LETTER FROM THE CHAIRMAN

Under the Administrative Services Agreements, as from the Completion Date and during the term of administration of the Sold Assets and the Owner Containers by the Managers, the net operating income from the administration and operation of the Sold Assets and the Owner Containers, which is after the deduction of the administrative fees and certain costs and expenses, shall belong to the Owner.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The marine containers comprising the Sold Assets have an average equipment age of 4.3 years and about 15.3% of them are old containers of 8 years or more. Most of these marine containers being sold are subject to long-term leases. After the Disposal, the Managers will still retain a managerial role in respect of the Owner Containers under the Administrative Services Agreements. The Disposal will not affect the container leasing business of the Group as the Group will purchase new containers and continue to lease them to customers.

The Company considers that according to the current market conditions, the Disposal will help the Group to improve the business model and capital structure of its container leasing business, to increase its sources of income and to lower the operational risks. At the same time, it will enable the Group to maintain a good and steady business relationship with its customers in the process of managing the related containers, and to provide more comprehensive and sound container leasing services to its customers.

The Managers and certain of their affiliated companies will remain principally engaged in the business of acquiring and leasing containers and managing container lease portfolios, including the Sold Assets, and the Managers and/or their affiliated companies expect to acquire additional containers and lease them to customers in the future consistent with its current practices.

By reference to the estimated net book value of the containers comprising the Sold Assets as at 30 June 2006, the Group is expected to realise an estimated gain of approximately US\$51 million (after taking into account taxes and direct expenses) from the Disposal which is expected to be accounted for in the consolidated financial statements of the Company for the year ending 31 December 2006.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Sale Agreement and of the Administrative Services Agreements are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL

Earnings

By reference to the financial statements of the Sellers, the unaudited net profit after taxation attributable to the Sold Assets for the year ended 31 December 2005 amounted to approximately US\$31.7 million (2004: US\$29.2 million), representing approximately 9.4% (2004: 14.0%) of the Group's profit after taxation for the year ended 31 December 2005. After the Disposal, the Group can no longer derive any rental income from the Sold Assets and it can only receive administrative fees from the Purchaser, calculated in accordance with the terms as set out in the Administrative Services Agreements, for the administrative and management services to be provided in connection with the Sold Assets.

LETTER FROM THE CHAIRMAN

Furthermore, the Group is expected to realise an estimated gain from the Disposal of approximately US\$51 million (after taking into account taxes and direct expenses).

Assets and Liabilities

Upon the Completion, the Group's property, plant and equipment will decrease by approximately US\$762.1 million (being the aggregate net book value of the containers comprising the Sold Assets as at 30 June 2006), which accounted for approximately 26.7% of the Group's consolidated total assets as at 31 December 2005. At the same time, the Group has received in cash the purchase price of the Sold Assets, Finder Fee and Upfront Administration Fee, which in aggregate amounted to approximately US\$869.4 million. These cash receipts will be used for purposes as further described in the section headed "Use of Proceeds" below.

Taking into account all of the above, the total assets and liabilities of the Group will decrease by approximately US\$347.9 million and US\$422.1 million respectively.

USE OF PROCEEDS

The aggregate amount receivable by the Sellers and the Managers on the Completion Date of approximately US\$869.4 million will be used as follows:

- (i) as to approximately US\$343.1 million for repayment of outstanding loans of the Sellers;
- (ii) as to approximately US\$100.0 million for acquisition of additional marine containers;
- (iii) as to approximately US\$111.8 million for making related tax payments; and
- (iv) the balance for working capital and for taking up investment opportunities of the Group as and when they arise.

GENERAL

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

FCI is an indirect wholly-owned subsidiary of the Company that is engaged principally in the business of acquiring and leasing containers to international customers (other than COSCO Container Lines Company Limited, a wholly-owned subsidiary of China COSCO). Florens Container, Inc. (2003), Florens Container, Inc. (2004) and Florens Container, Inc. (2005) are principally special purpose companies that were established by FCI to hold certain containers and container leases in order to facilitate the secured debt financing thereof by successive syndicates of commercial banks.

The Purchaser is a special purpose company formed for the purpose of acquiring the Sold Assets.

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DVB Bank

The transaction is arranged by DVB Bank AG and/or its affiliated entities. DVB Bank AG is based in Frankfurt/Main and is an international advisory bank and finance house which specialises in the global transportation market. DVB Bank AG offers integrated financing solutions and advisory services in respect of shipping, aviation, land transport and transport infrastructure. DVB Bank AG is listed on the Frankfurt Stock Exchange (ISIN: DE 0008045501).

Major Transaction

As the relevant percentage ratio calculated under Chapter 14 of the Listing Rules in respect of the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to Shareholders' approval.

The Company has obtained written approvals of the Disposal from COSCO Pacific Investment Holdings Limited and COSCO Investments Limited, which together held 1,144,166,411 Shares equivalent to approximately 51.58% in nominal value of the securities giving the right to attend and vote at any general meeting of the Company as at the Latest Practicable Date. COSCO Pacific Investment Holdings Limited and COSCO Investments Limited are wholly-owned subsidiaries of China COSCO, the holding company of the Company. As none of the Shareholders is materially interested in the Disposal, no Shareholder will be required to abstain from voting if a general meeting of the Company is convened to approve the Disposal contemplated under the Sale Agreement. Pursuant to Rule 14.44 of the Listing Rules, the Disposal which constitutes a major transaction had been approved by way of written shareholders' approval in lieu of holding a general meeting of the Company.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices of this circular.

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

INDEBTEDNESS OF THE GROUP

As at the close of business on 31 May 2006, being the most recent practicable date for the purpose of ascertaining certain information relating to this indebtedness statement, the Group had outstanding indebtedness of approximately US\$804.7 million, comprising notes payable of US\$285.5 million, long-term bank loans of US\$516.7 million and short-term bank loans of US\$2.5 million.

Borrowings

The following table illustrates the Group's bank and other borrowings as at 31 May 2006:

	<i>US\$' million</i>
Current:	
Short-term bank loans	2.5
Current portion of long-term bank loans	26.8
Non-current:	
Long-term bank loans, net of current portion	489.9
Notes payable	<u>285.5</u>
Total	<u><u>804.7</u></u>

Loans from banks were the largest source of financing. The Group also obtained financing from the issue of the notes with principal amount of US\$300,000,000. The notes were issued by a subsidiary of the Group to investors on 3 October 2003 and the notes will mature on 3 October 2013.

Out of the total amount of the Group's bank and other borrowings as at 31 May 2006, bank loans of US\$339.7 million were secured by certain of the Group's containers and land use rights. Bank loans of US\$338.7 million were also secured by the assignment of the container lease agreements and the rental income thereon, other assets and shares of certain subsidiaries.

As at 31 May 2006, bank loans and notes with an aggregate amount of US\$798.4 million were guaranteed by the Company.

Contingent Liabilities

As at 31 May 2006, the Group's contingent liabilities mainly comprised a guarantee for an associate's utilised banking facilities of approximately US\$23.8 million.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 31 May 2006, the Group did not have any outstanding debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowings including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages, charges, guarantees or other material contingent liabilities.

FINANCIAL AND TRADING PROSPECTS

In pursuance of the overall strategy of achieving rapid and consistent growth, the Group continues to expand its global network of terminal operations through investment and operations. The Group adopts the strategy of increasing its throughput of its container terminal business by accelerating investment in the global network, while strengthening its position as a major terminal operator in the Pearl River Delta, the Yangtze River Delta and the Bohai Rim of China. The Group's approach in partnering with global leading shipping liners and terminal operators, and in exercising direct control over or participating in day-to-day management of all terminals in which it has invested, is expected to bring good prospects for its container terminal business.

For the container leasing business, the Group will purchase more marine containers and maintain a relatively lower average age of marine container fleet. In addition to expanding its market share with existing customers, the Group will explore new opportunities in thriving and developing markets worldwide to broaden the customer base for its container leasing business.

The Directors are of the opinion that the sale proceeds from the Disposal will increase the working capital of the Group and decrease its debt levels, which will help the Group to exploit further development opportunities.

The Disposal will have no adverse impact on the trading prospects of the Group.

WORKING CAPITAL

The Directors are of the opinion that, taking into account the presently available banking facilities, internal financial resources of the Group, the receipts of the proceeds from the Disposal, the Finder Fee and the Upfront Administration Fee, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months commencing from the date of this circular.

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 the information contained in this circular and confirm, having made all reasonable enquiries, 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 position in the Shares

<u>Name of Director</u>	<u>Capacity</u>	<u>Nature of interests</u>	<u>Number of Shares held</u>	<u>Percentage of total issued share capital as at the Latest Practicable Date</u>
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

<u>Name of Director</u>	<u>Exercise price (HK\$)</u>	<u>Number of share options outstanding as at the Latest Practicable Date</u>	<u>Percentage of total issued share capital as at the Latest Practicable Date</u>
Mr. WONG Tin Yau, Kelvin	8.80	900,000	0.041%

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 as at the Offer Date, a maximum of 20% of share options granted may be exercisable in each of the first five anniversary years of 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. 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 28 October 2003 to 30 October 2003 under the share option scheme adopted by the shareholders of the Company on 23 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 28 October 2003 to 30 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 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 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 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 Jaifu	Beneficial owner	Personal	1,900,000	0.086%	(1)
	Mr. LI Jianhong	Beneficial owner	Personal	1,300,000	0.059%	(1)
	Ms. SUN Yueying	Beneficial owner	Personal	1,400,000	0.063%	(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 17 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	0.083%	(2), (3)
	Mr. LI Jianhong	0.57	1,800,000	0.125%	(1), (3)
		1.37	1,200,000	0.083%	(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 26 November 2003 pursuant to the share option scheme approved by the shareholders of COSCO International on 17 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 23 December 2003 and 22 December 2008.
- (2) The share options were granted by COSCO International on 2 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 29 December 2004 and 28 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%	(1), (2)
	Mr. LI Jianhong	1.23	700,000	0.032%	(1), (2)
	Ms. SUN Yueying	1.23	700,000	0.032%	(1), (2)

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 21 February 2006 and are exercisable at any time between 21 February 2007 and 20 February 2011.
- (2) 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%	(1), (2)
	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 3 March 2005) (“China COSCO”), an associated corporation of the Company and a company listed on the Stock Exchange, on 16 December 2005 in units with each unit representing one H share of China COSCO, 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 16 December 2007 and 15 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						
			Long positions	%	Short positions	%	Lending pool	%	Note
COSCO Investments Limited	Beneficial owner	Beneficial interest	200,120,000	9.02	—	—	—	—	(1)
COSCO Pacific Investment Holdings Limited	Beneficial owner and interest of controlled corporation	Beneficial interest and corporate interest	1,144,166,411	51.58	—	—	—	—	(1)
China COSCO Holdings Company Limited	Interest of controlled corporation	Corporate interest	1,144,166,411	51.58	—	—	—	—	(1)
COSCO	Interest of controlled corporation	Corporate interest	1,144,166,411	51.58	—	—	—	—	(1)
J.P. Morgan Chase & Co.	Beneficial owner, investment manager and custodian corporation/ approved lending agent	Beneficial interest and corporate interest	134,273,128	6.05	—	—	87,432,097	3.94	(2)

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. 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 corporate interest of J.P. Morgan Chase & Co. was attributable on account through a number of its wholly-owned subsidiaries and non wholly-owned subsidiaries, including, J.P. Morgan Securities Ltd. (98.95% control) and J.P. Morgan Capital Holdings Limited (72.72% control).
- (3) 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 President
Mr. LI Jianhong	Director
Ms. SUN Yueying	Director
Mr. XU Lirong	Executive Vice President
Dr. SUN Jiakang	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
Mr. CHEN Hongsheng	Director
Dr. SUN Jiakang	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 as at the Latest Practicable Date
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 16 September 2002 for a term of three years commencing from 16 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 15 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 22 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 are 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 31 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. 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.

5. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business, have been entered into by the Group within the two years preceding the date of this circular:

- (a) a share purchase agreement dated 19 August 2004 entered into between COSCO Container Industries Limited and COSCO whereby COSCO Container Industries Limited agreed to acquire from COSCO 163,701,456 non-publicly tradable State-owned legal person shares in China International Marine Containers (Group) Co., Ltd. at a consideration of approximately RMB1,056.4 million;
- (b) a share purchase agreement dated 16 November 2004 entered into between COSCO Ports (Antwerp) NV, the Company and P&O Ports Europe NV whereby the Company, through COSCO Ports (Antwerp) NV, agreed to acquire 25% of the issued share capital in Antwerp Gateway NV including the benefit of and title to 25% of an existing shareholders' loan from P&O Ports Europe NV at a total consideration of €133.9 million;
- (c) a shareholders agreement dated 16 November 2004 entered into between P&O Ports Europe NV, P&O Nedlloyd Holdings Limited, Duisport Duisburger Hafen AG, COSCO Ports (Antwerp) NV and Antwerp Gateway NV in relation to the transfer of 25% of the shares of Antwerp Gateway referred to in (b) above;
- (d) a joint venture heads of agreement dated 16 April 2005 entered into between COSCO Ports (Nansha) Limited and Guangzhou Port Container Comprehensive Development Co., Ltd. whereby a sino-foreign equity joint venture company was incorporated in the PRC to carry out the construction and operation of a container terminal at Nansha Port Phase II in the Guangdong Province of the PRC;
- (e) on 25 May 2006, the Company issued 424,106,507 put options (the "Put Options") to the holders of tradable A-shares of China International Marine Containers (Group) Co., Ltd. ("CIMC") ("CIMC Tradable A-Share Shareholders") in connection with the conversion of the CIMC non-tradable shares held by the Group into publicly tradable A-Share(s) of CIMC ("CIMC Tradable A-Shares") which are publicly tradable on the Shenzhen Stock Exchange. With the Put Options, the CIMC Tradable A-Share Shareholders are entitled to sell certain portion of their CIMC Tradable A-Shares to the Group at the exercise price of RMB10 (in cash, subject to adjustment) per share at the end of the 18-month period commencing on the date of listing of the Put Options on the Shenzhen Stock Exchange. If all the Put Options are exercised, the Company will have to pay a total sum of approximately RMB4,241.1 million in cash (the "Consideration") to acquire the relevant CIMC Tradable A-Shares. Prior to the issue of the Put Options, the Company entered into an irrevocable guarantee agreement with Bank of China Limited ("BOC") on 20 April 2006 pursuant to which BOC agreed to be the guarantor for the payment of the Consideration; and
- (f) the Sale Agreement, and the guarantee dated 20 June 2006 entered into by Florens HK in favour of the Purchaser in respect of the Sellers' obligations under the Sale Agreement.

6. DIRECTORS' INTEREST IN COMPETING INTEREST

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 13 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.

7. GENERAL

- (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 Ms. SIU Kim Shan, Margaret, who is 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.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong during normal business hours up to and including 26 July 2006:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the service agreements referred to in the paragraph headed "Directors' Interests in Contracts" in this Appendix II;

- (c) the contracts referred to in the section headed “Material Contracts” in this Appendix II;
- (d) the audited financial statements of the Company for each of the two years ended 31 December 2004 and 2005; and
- (e) the circular issued by the Company to the Shareholders dated 3 May 2006 in respect of the share reform proposal of CIMC which constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules.