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COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

DISCLOSEABLE TRANSACTION DISPOSAL OF EQUITY INTEREST IN SHANGHAI CIMC FAR EAST CONTAINER CO., LTD.

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DEFINITIONS

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

“Board”	the board of Directors
“CIMC”	China International Marine Containers (Group) Co., Ltd. (中國國際海運裝箱(集團)股份有限公司), a joint stock limited company established under the laws of the PRC whose A shares and B shares are listed on the Shenzhen Stock Exchange
“CIMC BVI”	CIMC Holdings (B.V.I.) Limited, a limited company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of CIMC
“Company”	COSCO Pacific Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the main board of the Stock Exchange
“COSCO Pacific (China)”	COSCO Pacific (China) Investments Co., Ltd., a limited liability company incorporated under the laws of the PRC and a wholly-owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“Equity Interest Transfer”	the transfer of 20% equity interest in Shanghai CIMC from COSCO Pacific (China) to CIMC BVI pursuant to the terms of the Equity Interest Transfer Agreement
“Equity Interest Transfer Agreement”	the equity interest transfer agreement dated 17 July 2006 entered into between COSCO Pacific (China) and CIMC BVI in relation to the Equity Interest Transfer
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	3 August 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
“PRC”	The People’s Republic of China (for the purposes of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“Shanghai CIMC”	Shanghai CIMC Far East Container Co. Ltd., a sino-foreign equity joint venture established under the laws of the PRC and an approximately 52.50% owned subsidiary of CIMC
“Shareholders”	holder(s) of the Shares
“Shares”	shares in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	Renminbi yuan, the lawful currency of the PRC
“US\$”	U.S. dollars, the lawful currency of the United States of America
“%”	per cent

In this circular, US\$ has been converted to HK\$ at the rate of HK\$7.76 = US\$1 for illustration purpose only. No representation is made that any amounts in RMB, HK\$ or US\$ have been, could have been or could be converted at the above rate or at any other rates or at all.



COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

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Directors:

Dr. WEI Jiafu ² (*Chairman*)
Mr. CHEN Hongsheng ¹
Mr. LI Jianhong ¹
Ms. SUN Yueying ¹
Dr. SUN Jiakang ¹ (*Vice Chairman & Managing Director*)
Mr. XU Lirong ²
Mr. WONG Tin Yau, Kelvin ¹
Mr. WANG Zhi ¹
Mr. QIN Fuyan ¹
Dr. LI Kwok Po, David ³
Mr. LIU Lit Man ³
Mr. CHOW Kwong Fai, Edward ³
Mr. Timothy George FRESHWATER ³

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

9 August 2006

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION DISPOSAL OF EQUITY INTEREST IN SHANGHAI CIMC FAR EAST CONTAINER CO., LTD.

INTRODUCTION

By an announcement dated 18 July 2006, the Directors announced that on 17 July 2006 COSCO Pacific (China), a wholly-owned subsidiary of the Company, entered into the Equity Interest Transfer Agreement with CIMC BVI pursuant to which COSCO Pacific (China) has agreed to transfer a 20% equity interest in Shanghai CIMC, representing the entire interest held by COSCO Pacific (China) in Shanghai CIMC, to CIMC BVI. The consideration for the Equity Interest Transfer is US\$6,252,300 (approximately HK\$48,518,000).

LETTER FROM THE CHAIRMAN

As the revenue ratio under Chapter 14 of the Listing Rules exceeds 5% but is less than 25%, the Equity Interest Transfer constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules.

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

THE EQUITY INTEREST TRANSFER AGREEMENT

Date : 17 July 2006

Vendor : COSCO Pacific (China), a wholly-owned subsidiary of the Company.

Purchaser : CIMC BVI, a wholly-owned subsidiary of CIMC, a joint stock limited company established in the PRC, the A shares and B shares of which are listed on the Shenzhen Stock Exchange and owned by the Company as to approximately 16.23% of its total issued share capital.

As at the date of announcement of the Company on the Equity Interest Transfer, the Company owned, and the ultimate holding company of the Company indirectly held, approximately 16.23% and 0.95% respectively of the total issued share capital of CIMC. An associate of Ms. SUN Yueying, a Director, beneficially owned 11,600 A shares of CIMC representing approximately 0.001% of the total issued share capital of CIMC as at such date. Certain directors of the Group have been appointed as directors of CIMC and some of its subsidiaries. Save as aforesaid, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, CIMC BVI and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Assets to be disposed of

Pursuant to the Equity Interest Transfer Agreement, COSCO Pacific (China) has agreed to transfer 20% equity interest in Shanghai CIMC, representing the entire interest held by COSCO Pacific (China) in Shanghai CIMC, to CIMC BVI.

Consideration

The consideration for the Equity Interest Transfer payable by CIMC BVI to COSCO Pacific (China), being US\$6,252,300 (approximately HK\$48,518,000), was arrived at after arm's length negotiations with CIMC BVI and was calculated by reference to the audited net asset value of Shanghai CIMC as at 31 October 2005 and taking into account an increase in the value of the land owned by Shanghai CIMC (being a compensation by the Pudong District Government in Shanghai in the amount of approximately RMB195,870,000 for earlier termination of the land use rights in respect of the land, pursuant to a request by the PRC Government for relocation of the manufacturing plant of Shanghai CIMC due to environmental considerations).

The consideration for the Equity Interest Transfer was in excess of the net book value of the 20% equity interest in Shanghai CIMC in the unaudited consolidated accounts of the Group for the year ended 31 October, 2005 by approximately US\$3,988,000 (approximately HK\$30,943,000).

LETTER FROM THE CHAIRMAN

Pursuant to the Equity Interest Transfer Agreement, the consideration shall be paid by CIMC BVI to COSCO Pacific (China) in cash within 20 days after the date of the Equity Interest Transfer Agreement or before the date the Equity Interest Transfer Agreement takes effect upon approval by the government authorities (whichever is earlier).

CIMC BVI shall be entitled to all the distributable profits of Shanghai CIMC arising on the 20% equity interest being transferred during 2006 (apart from those profits already distributed to COSCO Pacific (China)).

Formalities for the Equity Interest Transfer

The Equity Interest Transfer has been approved by the board of directors and by the other shareholders of Shanghai CIMC. The other shareholders of Shanghai CIMC have agreed to waive their pre-emptive rights in respect of the Equity Interest Transfer.

COSCO Pacific (China), CIMC BVI and Shanghai CIMC shall as soon as practicable complete the relevant government approval and registration procedures for the Equity Interest Transfer, including but not limited to the change of registration at the Administration of Industry and Commerce.

Information on Shanghai CIMC

Shanghai CIMC is principally engaged in the container manufacturing and sales business. Shanghai CIMC has a total registered capital of US\$9,480,000 (approximately HK\$73,565,000) and is a subsidiary of CIMC. The registered capital of Shanghai CIMC is currently owned by CIMC and its subsidiary as to approximately 52.50%, by COSCO Pacific (China) as to 20%, and as to the remaining 27.50% by other shareholders being independent third parties not connected with the Company or its connected person.

Financial information on Shanghai CIMC

The audited net profit before taxation and after taxation for the year ended 31 December 2004 and the audited net loss before and after taxation for the 10 months ended 31 October 2005 of Shanghai CIMC, which were prepared in accordance with the generally accepted accounting principles in the PRC, were as follows:

	Net loss for 10 months ended 31 October 2005	Net profit for year ended 31 December 2004
	<i>US\$'000</i>	<i>US\$'000</i>
Before taxation	388	25,443
After taxation	1,409	22,073

The audited net asset value of Shanghai CIMC as at 31 October 2005 amounted to approximately US\$11,324,000 (equivalent to approximately HK\$87,874,000).

LETTER FROM THE CHAIRMAN

The year end date of Shanghai CIMC is 31 December. On 7 November 2005, the winding-up committee of Shanghai CIMC resolved that 1 November 2005 be the winding-up commencement date of Shanghai CIMC. The latest available audited accounts of Shanghai CIMC were thus prepared up to 31 October 2005. The board of directors of Shanghai CIMC subsequently passed a resolution in April 2006 to terminate the winding-up proposal of Shanghai CIMC.

The carrying value of the investment in 20% of the equity interest in Shanghai CIMC by the Group as shown in the audited consolidated financial statements of the Group as at 31 December 2005 was approximately US\$783,000 (equivalent to approximately HK\$6,076,000).

REASONS FOR AND BENEFITS OF THE EQUITY INTEREST TRANSFER

According to the Directors' understanding, due to pressure from the PRC government authorities and local residents on environmental issues, Shanghai CIMC will cease the production of its existing manufacturing plant and move to a new manufacturing plant. As the Group has a rather complicated investment structure of owning shareholding in both CIMC and its subsidiary, Shanghai CIMC, the Group wishes to take this opportunity to streamline the structure of its investment holding in container manufacturing business through the Equity Interest Transfer. The Directors consider that the Group should withdraw its investment from Shanghai CIMC and concentrate its investment and resources for container manufacturing in CIMC in order to optimise the return to the Group.

The Directors consider that the terms of the Equity Interest Transfer Agreement are fair and reasonable and are in the interests of the Shareholders as a whole.

FINANCIAL EFFECTS OF THE EQUITY INTEREST TRANSFER

The Directors expect that the Group will realise an estimated gain of approximately US\$5,469,000 (equivalent to approximately HK\$42,442,000) from the Equity Interest Transfer. The estimated gain is calculated with reference to the consideration for the Equity Interest Transfer and the carrying value of the 20% equity interest in Shanghai CIMC as at 31 December 2005 in the accounts of the Group.

The Group's equity interest in Shanghai CIMC accounted for net loss of US\$1,744,000 (equivalent to approximately HK\$13,533,000) in the audited financial results of the Group for the year ended 31 December 2005. After completion of the Equity Interest Transfer, Shanghai CIMC will no longer account for any profit or loss in the financial results of the Group.

Upon completion of the Equity Interest Transfer, the total assets of the Group will increase by US\$5,469,000 (equivalent to approximately HK\$42,442,000). The Equity Interest Transfer will have no effect on the Group's liabilities.

USE OF PROCEEDS

The proceeds from the Equity Interest Transfer are intended to be used for working capital of the Group.

LETTER FROM THE CHAIRMAN

GENERAL

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

CIMC BVI is an investment holding company and a wholly-owned subsidiary of CIMC. CIMC and its subsidiaries are principally engaged in the manufacturing and sale of modern traffic and transport equipment such as containers, modern road transport vehicles and airport ground equipment. The A shares and B shares of CIMC are listed on the Shenzhen Stock Exchange.

ADDITIONAL INFORMATION

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

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

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of 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 interest 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	500,000	0.023%

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 Jiafu	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 (S\$)	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), (3)
	Mr. LI Jianhong	1.23	700,000	0.032%	(1), (3)
	Ms. SUN Yueying	1.23	700,000	0.032%	(1), (3)
	Mr. XU Lirong	0.807	400,000	0.018%	(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 21 February 2006 and are exercisable at any time between 21 February 2007 and 20 February 2011.
- (2) These options were granted by COSCO Corporation Singapore on 6 April 2005 and are exercisable as any time between 6 April 2007 to 5 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 shareholders of COSCO Corporation Singapore at the extraordinary general meeting held on 17 January 2006.
- (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%	(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						Note
			Long Positions	%	Short Positions	%	Lending Pool	%	
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	51.56	—	—	—	—	(1)
China COSCO Holdings Company Limited	Interest of controlled corporation	Corporate interest	1,144,166,411	51.56	—	—	—	—	(1)
China Ocean Shipping (Group) Company	Interest of controlled corporation	Corporate interest	1,144,166,411	51.56	—	—	—	—	(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	Posts 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	Posts 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	Posts 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	Posts 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%
Guangzhou South China Oceangate Container Terminal Company Limited <i>(a Sino-foreign equity joint venture established in the PRC)</i>	廣州港集裝箱綜合發展有限公司 (Guangzhou Port Container Comprehensive Development Co., Ltd.)	Registered capital in the amount of RMB575,300,110	41%

- (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) Mr. WANG Zhi has an employment contract with COSCO Pacific Management Company Limited, a wholly-owned subsidiary of the Company, commencing from 1 April 2001. Such contract is terminable by either party by giving to the other party not less than one month's prior notice in writing. He is currently entitled to an annual salary of HK\$1,800,000 which has been fixed by reference to his position, his level of responsibilities and the remuneration policy of the Group. In addition, he is also entitled to a discretionary bonus.
- (d) 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.

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. 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.

6. 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.