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COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

CONTINUING CONNECTED TRANSACTIONS

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



DBS ASIA CAPITAL LIMITED

A letter from the Independent Board Committee is set out on page 11 of this circular.

A letter from DBS containing its advice to the Independent Board Committee and the Independent Shareholders on the Caps in respect of the Continuing Connected Transactions, the Agreements and the transactions contemplated thereunder is set out on pages 12 to 19 of this circular.

A notice convening the special general meeting to be held at 47th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong on Thursday, 17 May 2007 at 2:45 p.m. (or so soon thereafter as the annual general meeting of the Company convened at the same place and on the same date at 2:30 p.m. shall have been concluded or adjourned) is set out on pages 31 to 33 of this circular. Whether or not you are able to attend and/or vote at the special general meeting in person, you are requested to complete the enclosed form of proxy and return it to the principal place of business of the Company in Hong Kong at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the special general meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the special general meeting or any adjournment thereof (as the case may be) should you so wish.

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DEFINITIONS

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

- “2007 COSCON Container Continuing Connected Transactions”** the provision of container related services contemplated under the COSCON Container Services Master Agreement (as amended by the COSCON Container Services Agreement) for the year 2007
- “Agreements”** the COSCON Shipping Services Master Agreement, the APM Shipping Services Master Agreement and the COSCON Container Services Master Agreement (as amended by the COSCON Container Services Agreement)
- “APM”** A.P. Moller-Maersk A/S, a company incorporated in Denmark with limited liability
- “APM Shipping Continuing Connected Transactions”** the provision of shipping related services contemplated under the APM Shipping Services Master Agreement for the years 2007, 2008 and 2009
- “APM Shipping Continuing Connected Transactions Caps”** for the purpose of Chapter 14A of the Listing Rules, means US\$15,000,000, US\$34,000,000 and US\$46,000,000, being the annual caps for the three financial years ending 31 December 2007, 2008 and 2009 respectively in respect of the APM Shipping Continuing Connected Transactions
- “APM Shipping Services Master Agreement”** the Shipping Services Master Agreement dated 23 March 2007 entered into between COSCO Ports and the Line
- “associate(s)”** has the meaning ascribed thereto in the Listing Rules, except that the words “or holding company or a fellow subsidiary of any such holding company” at the end of paragraph (b)(iv) of the definition of “associate” under rule 1.01 of the Listing Rules are deemed to be deleted for the purposes of this circular
- “Board”** the board of Directors
- “Caps”** collectively, the APM Shipping Continuing Connected Transactions Caps, the COSCON Container Continuing Connected Transactions Caps and the COSCON Shipping Continuing Connected Transactions Caps
- “Company”** COSCO Pacific Limited
- “connected persons(s)”** has the meaning ascribed thereto in the Listing Rules
- “Continuing Connected Transactions”** collectively, the COSCON Shipping Continuing Connected Transactions, the APM Shipping Continuing Connected Transactions and the COSCON Container Continuing Connected Transactions
- “COSCO”** China Ocean Shipping (Group) Company (中國遠洋運輸(集團)總公司), a company established in the PRC and the ultimate controlling Shareholder of the Company

DEFINITIONS

“COSCO Group”	COSCO and COSCON and their respective associates (excluding the Group)
“COSCO Ports”	COSCO Ports (Holdings) Limited (中遠碼頭控股有限公司), a company established in the British Virgin Islands and a wholly-owned subsidiary of the Company
“COSCO Ports Group”	COSCO Ports and its subsidiaries
“COSCON”	COSCO Container Lines Company Limited (中遠集裝箱運輸有限公司), a limited liability company established in the PRC and a subsidiary of COSCO
“COSCON Container Continuing Connected Transactions”	the provision of container related services contemplated under the COSCON Container Services Master Agreement (as amended by the COSCON Container Services Agreement) for the years 2007, 2008 and 2009
“COSCON Container Continuing Connected Transactions Caps”	for the purpose of Chapter 14A of the Listing Rules, means US\$7,501,000, US\$7,501,000 and US\$7,501,000, being the annual caps for the three financial years ending 31 December 2007, 2008 and 2009 respectively in respect of the COSCON Container Continuing Connected Transactions
“COSCON Container Services Agreement”	the agreement dated 23 March 2007 entered into between Plangreat, COSCO and COSCON which effectively renewed the term of the COSCON Container Services Master Agreement from 23 March 2007 to expire on 31 December 2009 and changed the definitions of “associates” and “COSCO Group” in the COSCON Container Services Master Agreement
“COSCON Container Services Master Agreement”	the Container Services Master Agreement dated 3 June 2005 entered into between Plangreat, COSCO and COSCON
“COSCON Shipping Continuing Connected Transactions”	the provision of shipping related services contemplated under the COSCON Shipping Services Master Agreement for the years 2007, 2008 and 2009
“COSCON Shipping Continuing Connected Transactions Caps”	for the purpose of Chapter 14A of the Listing Rules, means US\$34,929,000, US\$51,272,000 and US\$52,629,000, being the annual caps for the three financial years ending 31 December 2007, 2008 and 2009 respectively in respect of the COSCON Shipping Continuing Connected Transactions
“COSCON Shipping Services Master Agreement”	the Shipping Services Master Agreement dated 23 March 2007 entered into between COSCO Ports, COSCO and COSCON
“DBS”	DBS Asia Capital Limited, being a corporation licensed by the Securities and Futures Commission of Hong Kong for carrying out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions
“Director(s)”	the director(s) of the Company

DEFINITIONS

“dwt”	dead weight ton
“Group”	the Company and its subsidiaries
“Independent Board Committee”	an independent committee of the Board comprising Dr. LI Kwok Po, David, Mr. LIU Lit Man, Mr. CHOW Kwong Fai, Edward and Mr. Timothy George FRESHWATER, who are the independent non-executive Directors
“Independent Shareholders”	has the meaning ascribed thereto in the Listing Rules
“Latest Practicable Date”	10 April 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information included in this circular
“Line”	entities trading under the names of Maersk Line, Safmarine, MCC or any other future names with majority ownership by APM
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Plangreat”	Plangreat Limited, a company established in the British Virgin Islands and a wholly-owned subsidiary of the Company
“PRC”	People’s Republic of China
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong)
“SGM”	the special general meeting of the Company to be convened to approve, inter alia, the Continuing Connected Transactions
“Shareholder(s)”	shareholder(s) of the Company
“Shares”	share(s) in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America

LETTER FROM THE BOARD



COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

Directors:

Dr. WEI Jiafu² (*Chairman*)
Mr. CHEN Hongsheng¹
Mr. LI Jianhong¹
Mr. XU Lirong²
Ms. SUN Yueying¹
Mr. XU Minjie¹ (*Vice Chairman and Managing Director*)
Dr. SUN Jiakang²
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

- ¹ Executive Director
² Non-executive Director
³ Independent Non-executive Director

16 April 2007

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the announcement of the Company dated 23 March 2007 in which the Company announced that, inter alia, the Group had entered into the Agreements on 23 March 2007 which constituted continuing connected transactions of the Company.

LETTER FROM THE BOARD

The purpose of this circular is (i) to provide the Shareholders with further information in relation to the Continuing Connected Transactions; (ii) to set out the recommendation of the Independent Board Committee; (iii) to set out the letter of advice from DBS to the Independent Board Committee and the Independent Shareholders; and (iv) to give the Shareholders the notice of the SGM and other information required by the Listing Rules.

THE CONTINUING CONNECTED TRANSACTIONS

(1) COSCON Shipping Services Master Agreement

Date:	23 March 2007
Parties:	COSCO Ports COSCO COSCON
Duration:	1 January 2007 to 31 December 2009
Nature of transaction:	Provision of shipping related services by members of the COSCO Ports Group to members of the COSCO Group (including COSCON), including but not limited to the handling, storage and maintenance of cargoes.
Terms:	On normal commercial terms and at rates no less favourable to the relevant members of the COSCO Ports Group than that at which the relevant members of the COSCO Ports Group charge independent third party customers for the relevant services.
Proposed annual cap:	Consideration payable by the COSCO Group (including COSCON):

For the financial year ending 31 December 2007	For the financial year ending 31 December 2008	For the financial year ending 31 December 2009
US\$34,929,000 (<i>Note</i>)	US\$51,272,000	US\$52,629,000

Note: The annual cap for the year 2007 supersedes the annual cap set out in the announcement of the Company dated 3 June 2005 in relation to continuing connected transactions contemplated under the Shipping Services Master Agreement dated 3 June 2005 entered into between COSCO, COSCON, COSCO Ports and Zhangjiagang Win Hanverky Container Terminal Co., Ltd. (a subsidiary of COSCO Ports).

LETTER FROM THE BOARD

Basis of the proposed annual cap: By reference to the nature of the transactions, the aggregate annual values of the transactions for the three financial years ended 31 December 2006 of US\$1,693,012(*Note*), US\$2,377,460 and US\$4,117,464 respectively, the existing scale and operations of the businesses of the COSCO Ports Group, the anticipated growth and development of such businesses (including commencement of operations of new berths, such as 6 new berths at the port of Quanzhou of 5,000 to 50,000 dwt of which 4 berths commenced operation in September 2006, 2 new berths of 100,000 dwt at the port of Nansha, Guangzhou which commenced operation in the first quarter of 2007 and 4 more new berths the operations of which are expected to commence in the last quarter of 2007 and possible acquisitions of new berths) and the anticipated demand for such services.

Note: The annual value of the transactions for the financial year ended 31 December 2004 represented the value of shipping related services provided by the COSCO Ports Group to the COSCO Group at all the ports which were operated and owned by the members of the COSCO Ports Group, including the ports of Zhangjiagang and Yangzhou, i.e. it comprised the annual value of the transactions for the financial year ended 31 December 2004 in respect of services provided at the port of Zhangjiagang as disclosed in the announcement of the Company dated 3 June 2005.

(2) APM Shipping Services Master Agreement

Date: 23 March 2007

Parties: COSCO Ports
the Line

Duration: 1 January 2007 to 31 December 2009

Nature of transaction: Provision of shipping related services by members of the COSCO Ports Group to the Line, including but not limited to the handling, storage and maintenance of cargoes.

Terms: On normal commercial terms.

Proposed annual cap: Consideration payable by the Line:

	For the financial year ending 31 December 2007	For the financial year ending 31 December 2008	For the financial year ending 31 December 2009
	US\$15,000,000	US\$34,000,000	US\$46,000,000

LETTER FROM THE BOARD

Basis of the proposed annual cap: By reference to the nature of the transactions, the aggregate annual values of the transactions for the three financial years ended 31 December 2006 of US\$380,989, US\$588,879 and US\$895,832 respectively, the existing scale and operations of the businesses of the COSCO Ports Group, the anticipated growth and development of such businesses (including commencement of operations of new berths, such as the 2 new berths of 100,000 dwt at the port of Nansha, Guangzhou which commenced operation in the first quarter of 2007 and 4 more new berths the operations of which are expected to commence in the last quarter of 2007 and possible acquisitions of new berths) and the anticipated demand for such services.

(3) COSCON Container Services Master Agreement (as amended by the COSCON Container Services Agreement)

Date of the COSCON Container Services Agreement: 23 March 2007

Parties: Plangreat
COSCO
COSCON

Duration: Effectively renewed from 23 March 2007 to expire on 31 December 2009

Nature of transaction: Provision of container related services by Plangreat and its subsidiaries to members of the COSCO Group (including COSCON), including but not limited to maintenance, handling, stevedoring, repair, import, export, loading, discharging, transshipment, collection, delivery, storage, shifting, restowage and disposal of containers, lighter berthing, midstream operation and trailers' transportation.

Terms: At rates no less favourable to Plangreat and its subsidiaries than that at which Plangreat and its subsidiaries charge independent third parties for the relevant services.

Proposed annual cap: Consideration payable by the COSCO Group (including COSCON):

For the financial year ending 31 December 2007	For the financial year ending 31 December 2008	For the financial year ending 31 December 2009
US\$7,501,000 (<i>Note</i>)	US\$7,501,000	US\$7,501,000

Note: Since it is expected that the value of the 2007 COSCON Container Continuing Connected Transactions may be higher than that set out in the announcement of the Company dated 28 December 2006 (under which a revision of the annual cap for the financial year ending 31 December 2007 stated in the announcement of the Company dated 3 June 2005 was announced), the Company has proposed a revised annual cap therefor as above.

LETTER FROM THE BOARD

Basis of the proposed annual cap: By reference to the nature of the transactions, the aggregate annual values of the transactions for the three financial years ended 31 December 2006 of US\$6,619,000, US\$6,346,000 and US\$7,234,000 respectively, the existing scale and operations of the businesses of Plangreat and its subsidiaries and the anticipated demand for such services as a result of predicted volume of containers.

RELATIONSHIP BETWEEN THE COMPANY AND THE COUNTERPARTIES TO THE AGREEMENTS

COSCO is the ultimate controlling shareholder of the Company. COSCON is a subsidiary of COSCO. Accordingly, members of the COSCO Group and COSCON are connected persons of the Company.

The COSCO Group is a diversified group focusing mainly on shipping and modern logistics businesses. They also serve as shipping agencies and provide services in freight forwarding, ship building, ship repairing, terminal operation, container paint manufacturing, trade, financing, real estate, information technology and contract employment. COSCON is principally engaged in container shipping businesses.

APM Terminals Invest Company Limited, which is a subsidiary of APM, has been a substantial shareholder of a subsidiary of the Company since 5 September 2006. The Line is majority-owned by APM and is therefore an associate of APM Terminals Invest Company Limited. Accordingly, the Line is a connected person of the Company.

The Line's principal business activities are to carry out activities in respect of vessels owned or operated by APM, including soliciting cargo, issuing bills of lading, settling freight charges and entering into service contracts.

As it is expected that one or more percentage ratio(s) in relation to the Continuing Connected Transactions will exceed 2.5%, such continuing connected transactions are subject to the reporting, announcement and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

The Company will comply with the requirements under Rule 14A.36 of the Listing Rules if any approved annual cap set out above is exceeded.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Group is principally engaged in the businesses of container leasing, container management, managing and operating container terminals, logistics, container manufacturing and related businesses and other investments. The Board considers that the Continuing Connected Transactions are consistent with the businesses and commercial objectives of the Group and will increase the revenue of the Group.

The Board (including the independent non-executive Directors) considers that the Continuing Connected Transactions are and will be entered into in the ordinary and usual course of business of the Group and on normal commercial terms and that the terms of the Agreements are fair and reasonable and in the interests of the Shareholders as a whole.

LETTER FROM THE BOARD

SGM

There is set out on pages 31 to 33 of this circular a notice convening the SGM to be held at 47th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong on Thursday, 17 May 2007 at 2:45 p.m. (or so soon thereafter as the annual general meeting of the Company convened at the same place and on the same date at 2:30 p.m. shall have been concluded or adjourned) at which ordinary resolutions will be proposed for the approval by the Independent Shareholders of the Continuing Connected Transactions, the Agreements and the Caps. In compliance with the Listing Rules, the votes to be taken at the SGM in respect of the Continuing Connected Transactions, the Agreements and the Caps will be taken by poll, the results of which will be announced after the SGM.

In view of COSCO's interests in the COSCON Shipping Continuing Connected Transactions and the COSCON Container Continuing Connected Transactions, COSCO Pacific Investment Holdings Limited and COSCO Investments Limited, being subsidiaries of COSCO, will abstain from voting on the resolutions to be proposed at the SGM in respect of the COSCON Shipping Continuing Connected Transactions and the COSCON Container Continuing Connected Transactions. To the best of the Board's knowledge, information and belief, no Shareholder is required under the Listing Rules to abstain from voting on the resolutions to be proposed at the SGM in respect of the APM Shipping Continuing Connected Transactions.

As at the Latest Practicable Date, COSCO Pacific Investment Holdings Limited and COSCO Investment Limited controlled or were entitled to exercise control of approximately 42.17% and 8.94% respectively voting rights at general meeting of the Company.

Whether or not you are able to attend the SGM in person, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon to the principal place of business of the Company in Hong Kong at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong but in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. The completion of the enclosed proxy form will not preclude you from attending and voting at the SGM or any adjournment thereof should you so wish.

Pursuant the Bye-law 66 of the Bye-laws of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless voting by way of a poll is required by the rules of the Stock Exchange or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:-

- (a) by the chairman of such meeting; or
- (b) by at least three members of the Company present in person or in the case of a member of the Company being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by any member or members of the Company present in person or in the case of a member of the Company being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all members of the Company having the right to vote at the meeting; or
- (d) by any member or members of the Company present in person or in the case of a member of the Company being a corporation by its duly authorised corporate representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right; or

LETTER FROM THE BOARD

- (e) if required by the rules of the Stock Exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

A demand by a person as proxy for a member of the Company or in the case of a member of the Company being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a member of the Company.

The Company will procure the chairman of the SGM to demand for voting by poll for the ordinary resolutions in respect of the Continuing Connected Transactions and Secretaries Limited, the branch share registrar of the Company in Hong Kong, will serve as the scrutineer for the vote-taking.

RECOMMENDATION

The Independent Board Committee, having taken into account the advice of DBS, considers that the Caps in respect of the Continuing Connected Transactions, the Agreements and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. The Independent Board Committee therefore recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Caps in respect of the Continuing Connected Transactions, the Agreements and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the letters from the Independent Board Committee and DBS which are respectively set out on page 11 and pages 12 to 19 of this circular. Additional information is set out in the Appendix of this circular for your information.

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



COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

16 April 2007

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 16 April 2007 issued by the Company (the “Circular”) of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider the Caps, the Agreements and the transactions contemplated thereunder and to advise the Independent Shareholders as to the fairness and reasonableness of the same. The independent financial adviser, DBS Asia Capital Limited, has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

RECOMMENDATION

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 10 of the Circular, and the letter from DBS which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Caps, the Agreements and the transactions contemplated thereunder as set out on pages 12 to 19 of the Circular.

After taking into consideration the advice from DBS, we concur with the views of DBS and consider that the Continuing Connected Transactions, the Caps, the Agreements and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Caps in respect of the Continuing Connected Transactions, the Agreements and the transactions contemplated thereunder.

Yours faithfully
Independent Board Committee

LI Kwok Po, David

*Independent non-
executive Director*

LIU Lit Man

*Independent non-
executive Director*

**CHOW Kwong Fai,
Edward**

*Independent non-
executive Director*

**Timothy George
FRESHWATER**

*Independent non-
executive Director*

LETTER FROM DBS

The following is the text of the letter of advice from DBS, independent financial adviser to the Independent Board Committee and Independent Shareholders, in relation to the continuing connected transaction, which has been prepared for the purpose of inclusion in this circular.



16 April 2007

*To the Independent Board Committee
and Independent Shareholders*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as independent financial adviser to the Independent Board Committee and Independent Shareholders in relation to the transactions (the “Continuing Connected Transactions”) arising from (i) the COSCON Shipping Services Master Agreement; (ii) the APM Shipping Services Master Agreement; and (iii) the COSCON Container Services Master Agreement (as amended by the COSCON Container Services Agreement). Details of the Continuing Connected Transactions are set out in the letter from the Board (“Letter from the Board”) in the circular of the Company to its Shareholders dated 16 April 2007 (“Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 23 March 2007, the Board made an announcement (“Announcement”) in relation to the Continuing Connected Transactions. As stated in the Announcement, the Company shall issue a circular to the Shareholders containing further information of the Continuing Connected Transactions and will convene a SGM for obtaining the Independent Shareholders’ approvals for the conduct of the Continuing Connected Transactions (and their annual caps).

COSCO is the ultimate controlling shareholder of the Company. COSCON is a subsidiary of COSCO. Accordingly, COSCO Group and COSCON are connected persons of the Company.

APM Terminals Invest Company Limited, which is a subsidiary of APM, has been a substantial shareholder of a subsidiary of the Company since 5 September 2006. The Line is majority-owned by APM and is therefore an associate of APM Terminals Invest Company Limited. Accordingly, the Line is a connected person of the Company.

As it is expected that one or more percentage ratio(s) in relation to the Continuing Connected Transactions will exceed 2.5%, such Continuing Connected Transactions are subject to the reporting, announcement and independent shareholders’ approval requirements set out in Chapter 14A of the Listing Rules.

Our scope of work under this engagement is to assess whether the Caps in respect of the Continuing Connected Transactions, the Agreements and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and whether the Agreements are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote with respect of the Caps, the Agreements and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In arriving at our opinion, we have relied on the information, opinions and facts supplied, and representations made to us, by the Directors, advisers and representatives of the Company (including those contained or referred to in the Circular). We have also assumed that the information and representations contained or referred to in the Circular were true and accurate in all respects at the time they were made and continue to be so at the date of dispatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable, and we have not independently verified the accuracy of such information. We have been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or other prospects of the Company or any of its subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion with regard to the Caps in respect of the Continuing Connected Transactions and the Agreements, we have considered the following principal factors and reasons:

1. REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Group is principally engaged in container leasing, container management, managing and operating container terminals, logistics, container manufacturing and related business and other investments. According to the “Annual Review of Global Container Terminal Operators 2006” published by Drewry Shipping Consultants, the Group was ranked the fifth largest container terminal operator in the world with a 3.7% global market share. As at 31 December 2006, the Group owned a total of 115 berths with an annual handling capacity of 61 million twenty-foot equivalent units (“TEUs”). The Company’s container terminal business continued to grow with total throughput increasing approximately 25.7% from the financial year ended 31 December 2005 (“FY2005”) to 32,791,713 TEUs for the financial year ended 31 December 2006 (“FY2006”).

The COSCO Group is a diversified group focusing mainly on shipping and modern logistics businesses. They also serve as shipping agencies and provide services in freight forwarding, ship building, ship repairing, terminal operation, container paint manufacturing, trading, financing, real estate, information technology and contract employment. COSCON is a global provider of integrated container shipping services. As at the end of 2005, it owned 139 container vessels with total handling capacities of approximately 400,000 TEUs. It operates over 80 international shipping routes connecting over 100 principal ports in over 30 countries and regions across the world. According to AXS-Alphaliner as at 12 April 2007, COSCON ranked the seventh largest operator of the liner fleet in terms of TEU in the world with a 3.7% global market share.

The Line’s principal business activities include soliciting cargo, issuing bills of lading, settling freight charges and entering into service contracts in respect of vessels owned or operated by APM. APM is currently the largest container shipping company in the world in terms of TEU and engages in a wide range of businesses including container shipping, transport of crude oil, refining products, oil and gas production and exploration, ship building, retailing and manufacturing industries.

As mentioned in the Letter from the Board, the Board considers that the Continuing Connected Transactions are and will be entered into in the ordinary and usual course of business of the Group and on normal commercial terms and that the terms of the Agreements are fair and reasonable and in the interests of the Shareholders as a whole.

Having considered that the Group engages in management and operation of container terminals as well as management of containers, we consider that the Continuing Connected Transactions are in line with the business of the Group and the Agreements have been entered into in the ordinary and usual course of business of the Group. Furthermore, as COSCO Group is one of the major customers of the Group in container terminal and related business and APM is the largest container shipping company in the world in terms of TEU, the Agreements as a whole are beneficial to the Group and, in particular, enable the Group to continue to develop business relationship with APM.

2. COSCON SHIPPING SERVICES MASTER AGREEMENT

2.1. Terms of the COSCON Shipping Services Master Agreement

Pursuant to the COSCON Shipping Services Master Agreement, the COSCO Ports Group will provide shipping related services to members of the COSCO Group (including COSCON) including but not limited to the handling, storage and maintenance of cargoes. Furthermore, the terms are on normal commercial terms and at rates no less favourable to the relevant members of the COSCO Ports Group than that at which the relevant members of the COSCO Ports Group charge independent third party customers for the relevant services. The members of the COSCO Ports Group are subsidiaries of the Group.

We have discussed with the management of the Group and noted that the terms of past transactions between the COSCO Ports Group and the COSCO Group are on normal commercial terms and on terms no less favourable to the COSCO Ports Group than that at which the relevant members of the COSCO Ports Group charge independent third party customers.

As mentioned in the section headed “Reasons for and benefits of the Continuing Connected Transactions”, COSCO Group is one of the major customers of the Group in container terminal and related business. The entering into of the COSCON Shipping Services Master Agreement might assist the Group to secure a major income source. Taking into consideration of (i) the benefits of entering into the COSCON Shipping Services Master Agreement mentioned above, (ii) the COSCON Shipping Services Master Agreement has been entered into in the ordinary and usual course of business of the Group, and on normal commercial terms and at rates no less favourable to the relevant members of the COSCO Ports Group than that at which the COSCO Ports Group charge independent third party customers; we consider that the terms of the COSCON Shipping Services Master Agreement are fair and reasonable and the COSCON Shipping Services Master Agreement is in the interests of the Company and its shareholders as a whole.

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2.2. Annual caps

Set out below are the annual caps of the COSCON Shipping Services Master Agreement for the three financial years ending 31 December 2009 and the historical values of the transactions for the three financial years ended 31 December 2006:

	Historical value (US\$)			Annual cap (US\$)		
	For the financial year ended			For the financial year ending		
	31 December:			31 December:		
	2004	2005	2006	2007	2008	2009
Value	1,693,012	2,377,460	4,117,464	34,929,000	51,272,000	52,629,000
Percentage change	n/a	40.4%	73.2%	748.3%	46.8%	2.6%

We have discussed with the management of the Group on the basis of the annual caps, and understand that the increase in the annual cap for the financial year ending 31 December 2007 (“FY2007”) when compared to the historical value for FY2006 is mainly due to the increase in the estimated volume of shipping related services provided to the COSCO Group, which is mainly attributable to the following:

- (i) four new berths at the port of Quanzhou of 5,000 dwt to 50,000 dwt with total annual handling capacity of approximately 1 million TEUs commenced operation in September 2006;
- (ii) revenue contribution from these new berths at the port of Quanzhou is expected to increase in FY2007 due to full year operation;
- (iii) two new berths of 100,000 dwt at the port of Nansha, Guangzhou commenced operation in the first quarter of 2007;
- (iv) four additional new berths at the port of Nansha, Guangzhou are expected to commence operation in the last quarter of 2007;
- (v) total annual handling capacity of the six new berths at Nansha is expected to be approximately 4.2 million TEUs;
- (vi) the anticipated growth and development of the business; and
- (vii) the anticipated increase in demand of shipping related services from the COSCO Group.

The substantial increase in the annual cap for the financial year ending 31 December 2008 (“FY2008”) when compared to the annual cap for FY2007 is mainly due to the increase in the estimated volume of shipping related services provided to the COSCO Group, which is mainly attributable to the following:

- (i) six new berths at the port of Nansha, Guangzhou having commenced operations in 2007 will each have full year contribution in FY2008;

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- (ii) two new berths at the port of Quanzhou with a total annual handling capacity of approximately 1 million TEUs are expected to commence operation in FY2008;
- (iii) possible acquisition of new berths in FY2008;
- (iv) the expected increase in demand from the COSCO Group as a result of successful acquisition of new berths in FY2008; and
- (v) the anticipated growth and development of the business.

The increase in the annual cap for the financial year ending 31 December 2009 (“FY2009”) is insignificant (only 2.6%) when compared to the annual cap for FY2008. Such small increase in the annual cap is mainly attributable to the small increase in the estimated demand of shipping related services from the COSCO Group.

The substantial increase in the annual caps reflects the management’s expectation of the substantial increase in the income contribution from the COSCO Group. We have discussed with the management of the Group and noted that the proportion of the income contribution to the Group’s container terminal and related businesses from the COSCO Group is expected to increase at the early stage of the operations of six new berths at the port of Quanzhou and the six new berths at the port of Nansha, Guangzhou.

Having considered the basis discussed above, we consider that the annual caps are fair and reasonable.

3. APM SHIPPING SERVICES MASTER AGREEMENT

3.1. Terms of the APM Shipping Services Master Agreement

Pursuant to the APM Shipping Services Master Agreement, the COSCO Ports Group will provide shipping related services to the Line, including but not limited to the handling, storage and maintenance of cargoes, on normal commercial terms.

APM Terminals Invest Company Limited, which is a subsidiary of APM, has been a substantial shareholder of a subsidiary of the Company since 5 September 2006. The Line is majority-owned by APM and is therefore an associate of APM Terminals Invest Company Limited. Accordingly, the Line is a connected person of the Company.

We have discussed with the management of the Company and noted that the terms of the transactions entered into between the Group and the Line are consistent before and after the Line became connected person of the Company in September 2006. Furthermore, based on our discussion with the management, we noted that the terms of past transactions between the COSCO Ports Group and the Line are on normal commercial terms. Since APM is the largest container shipping company in the world in terms of TEU, it would be beneficial to the Group to secure such reputable customer and the APM Shipping Services Master Agreement could provide a steady source of income.

Taking into consideration of (i) the benefits of entering into the APM Shipping Services Master Agreement mentioned above, (ii) the APM Shipping Services Master Agreement has been entered into in the ordinary and usual course of business of the Group, and on normal commercial terms; we

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consider that the terms of the APM Shipping Services Master Agreement are fair and reasonable and the APM Shipping Services Master Agreement is in the interests of the Company and its shareholders as a whole.

3.2. Annual caps

Set out below are the annual caps of the APM Shipping Services Master Agreement for the three financial years ending 31 December 2009 and the historical values for the three financial years ended 31 December 2006:

	Historical value (US\$)			Annual cap (US\$)		
	For the financial year ended 31			For the financial year ending 31		
	December:			December:		
	2004	2005	2006	2007	2008	2009
Value	380,989	588,879	895,832	15,000,000	34,000,000	46,000,000
Percentage change	n/a	54.6%	52.1%	1,574.4%	126.7%	35.3%

We have discussed with the management of the Group on the basis of the annual caps, and understand that the increase in the annual cap for FY2007 when compared to the historical value for FY2006 is mainly due to the increase in the estimated volume of shipping related services provided to the Line, which is attributable to the following:

- (i) two new berths of 100,000 dwt at the port of Nansha, Guangzhou commenced operation in the first quarter of 2007;
- (ii) four additional new berths at the port of Nansha, Guangzhou are expected to commence operation in the last quarter of 2007;
- (iii) total annual handling capacity of the six new berths at the port of Nansha, Guangzhou is expected to be approximately 4.2 million TEUs;
- (iv) the anticipated growth and development of the business; and
- (v) the anticipated increase in demand of shipping related services from the Line.

The 126.7% increase in the annual cap for FY2008 when compared to the annual cap for FY2007 is mainly due to the increase in the estimated volume of shipping related services provided to the Line, which is mainly attributable to the following:

- (i) six new berths at the port of Nansha, Guangzhou having commenced operations in 2007 will each have full year contribution in FY2008;
- (ii) possible acquisition of new berths in FY2008;
- (iii) the expected increase in demand from the Line as a result of successful acquisition of new berths in FY2008; and
- (iv) the anticipated growth and development of the business.

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The increase in the annual cap for FY2009 is lower than that for FY2008. The 35.3% increase in the annual cap is mainly attributable to the increase in the estimated volume of shipping related services provided to the Line, which is mainly attributable to the following:

- (i) possible acquisition of new berths in FY2009;
- (ii) the expected increase in demand from the Line as a result of successful acquisition of new berths in FY2009; and
- (iii) the anticipated growth and development of the business.

The substantial increase in the annual caps reflects the management's expectation of the substantial increase in the income contribution from the Line. We have discussed with the management of the Company and noted that the proportion of the income contribution to the Group's container terminal and related businesses from the Line is expected to increase at the early stage of the operations of the six new berths at the port of Nansha, Guangzhou.

Having considered the basis discussed above, we consider that the annual caps are fair and reasonable.

4. COSCON CONTAINER SERVICES AGREEMENT

4.1. Terms of the COSCON Container Services Agreement

Pursuant to the COSCON Container Services Agreement, Plangreat and its subsidiaries will provide container related services to members of the COSCO Group (including COSCON), including but not limited to maintenance, handling, stevedoring, repair, import, export, loading, discharging, transshipment, collection, delivery, storage, shifting, restowage and disposal of containers, lighter berthing, midstream operation and trailers' transportation. Plangreat is a wholly owned subsidiary of the Company. Having considered that the Group engages in management and operation of container terminals as well as management of containers, we consider that the COSCON Container Continuing Connected Transactions are in line with the business of the Group and the COSCON Container Services Agreement has been entered into in the ordinary and usual course of business of the Group.

We have discussed with the management of the Group and noted that the terms of past transactions between Plangreat and its subsidiaries (collectively the "Plangreat Group") and the COSCO Group are on terms no less favourable to the Group than that at which the Plangreat Group charge independent third parties.

The COSCO Group is one of the major customers of the Group in container related business. The entering into of the COSCON Container Services Agreement might assist the Group to secure a major income source. Taking into consideration of (i) the benefits of entering into the COSCON Container Services Agreement mentioned above, (ii) the COSCON Container Services Agreement has been entered into in the ordinary and usual course of business of the Group, and at rates no less favourable to the Plangreat Group than that at which the Plangreat Group charges independent third party for the relevant services; we consider that the terms of the COSCON Container Services Agreement are fair and reasonable and the COSCON Container Services Agreement is in the interests of the Company and its shareholders as a whole.

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4.2. Annual caps

Set out below are the annual caps of the COSCON Services Master Agreement for the three financial years ending 31 December 2009 and the historical values for the three financial years ended 31 December 2006:

	Historical transaction value (US\$)			Annual cap (US\$)		
	For the financial year ended 31			For the financial year ending 31		
	December:			December:		
	2004	2005	2006	2007	2008	2009
Value	6,619,000	6,346,000	7,234,000	7,501,000	7,501,000	7,501,000
Percentage change	n/a	-4.1%	14.0%	3.7%	0.0%	0.0%

We understand that the annual caps are estimated with reference to the historical values of the transactions for the three financial years ended 31 December 2006, the anticipated demand for such services as a result of predicted volume of containers, and the existing scale and operations of the businesses of the Plangreat Group. We note that the compound annual growth rate of the historical values of transactions between the Plangreat Group and the COSCO Group (including COSCON) for the three financial years ended 31 December 2006 was approximately 4.5%. We consider that the approximately 3.7% increase in the annual cap for FY2007 is fair and reasonable when compared to the compound annual growth rate of the historical transaction values for the three financial years ended 31 December 2006. We note that the annual caps for FY2008 and FY2009 are the same as the annual cap for FY2007. As such, we consider that the annual caps for FY2008 and FY2009 are fair and reasonable.

RECOMMENDATION

Taking into consideration of (i) the benefits of the Continuing Connected Transactions as mentioned in the paragraph headed “Reasons for and benefits of the Continuing Connected Transactions” above, (ii) the Agreements have been entered into in the ordinary and normal course of business of the Company, and (iii) the basis of, and the reasons for, the increase of the Caps, we consider that the terms of the Agreements and the Caps are fair and reasonable, and the Agreements are in the interests of the Company and its shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Caps in respect of the Continuing Connected Transactions, the Agreements and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
DBS ASIA CAPITAL LIMITED

George Hongchoy
Managing Director

Jason Wong
Managing Director

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

Name of Director	Capacity	Nature of interests	Number 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	300,000	0.013%

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	13.75	1,000,000	0.045%	3.12.2004 – 2.12.2014	(2), (3)
Mr. CHEN Hongsheng	13.75	1,000,000	0.045%	3.12.2004 – 2.12.2014	(2), (3)
Mr. LI Jianhong	13.75	1,000,000	0.045%	2.12.2004 – 1.12.2014	(2), (3)
Ms. SUN Yueying	13.75	1,000,000	0.045%	3.12.2004 – 2.12.2014	(2), (3)
Dr. SUN Jiakang	13.75	1,000,000	0.045%	1.12.2004 – 30.11.2014	(2), (3)
Mr. WONG Tin Yau, Kelvin	9.54 13.75	800,000 1,000,000	0.036% 0.045%	28.10.2003 – 27.10.2013 2.12.2004 – 1.12.2014	(1), (3) (2), (3)
Mr. WANG Zhi	13.75	600,000	0.027%	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 Director on 28 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 Director was on 28 October 2003.
- (2) The share options were granted 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 interests	Number of 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. WONG Tin Yau, Kelvin	Beneficial owner	Personal	1,802,500	0.080%	
COSCO Corporation (Singapore) Limited	Dr. WEI Jiafu	Beneficial owner	Personal	1,900,000	0.085%	(1)
	Mr. LI Jianhong	Beneficial owner	Personal	1,300,000	0.058%	(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	0.124%	(1), (3)
		1.37	1,200,000	0.083%	(2), (3)
	Mr. LI Jianhong	0.57	1,800,000	0.124%	(1), (3)
		1.37	1,200,000	0.083%	(2), (3)
	Dr. SUN Jiakang	0.57	600,000	0.041%	(1), (3)
		1.37	800,000	0.055%	(2), (3)
	Mr. WONG Tin Yau, Kelvin	0.57	800,000	0.055%	(1), (3)
		1.37	500,000	0.034%	(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	0.049%	(1), (3)
	Mr. LI Jianhong	1.23	700,000	0.031%	(1), (3)
	Mr. XU Lirong	0.807	400,000	0.018%	(2), (3)
	Ms. SUN Yueying	1.23	700,000	0.031%	(1), (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 and exercisable from 6 April 2007 to 31 December 2007.
- (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), (3)
		3.588	900,000	0.040%	(2), (3)
	Mr. CHEN Hongsheng	3.195	700,000	0.031%	(1), (3)
		3.588	700,000	0.031%	(2), (3)
	Mr. LI Jianhong	3.195	600,000	0.027%	(1), (3)
		3.588	600,000	0.027%	(2), (3)
	Mr. XU Lirong	3.195	500,000	0.022%	(1), (3)
		3.588	500,000	0.022%	(2), (3)
	Ms. SUN Yueying	3.195	600,000	0.027%	(1), (3)
		3.588	600,000	0.027%	(2), (3)
	Mr. XU Minjie	3.195	100,000	0.004%	(1), (3)
		3.588	90,000	0.004%	(2), (3)
	Dr. SUN Jiakang	3.195	500,000	0.022%	(1), (3)
		3.588	500,000	0.022%	(2), (3)

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 according to its terms at any time between 16 December 2007 and 15 December 2015.
- (2) The share appreciation rights were granted by China COSCO in units with each unit representing one H share of China COSCO on 5 October 2006 pursuant to the Plan. Under the Plan, no shares will be issued. The share appreciation rights can be exercised at HK\$3.588 per unit according to their terms between 5 October 2008 and 4 October 2016.
- (3) 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	Long positions	Number of Shares/Percentage of total issued share capital as at the Latest Practicable Date					Note
				%	Short positions	%	Lending Pool	%	
COSCO Investments Limited	Beneficial owner	Beneficial interest	200,120,000	8.94	—	—	—	—	(1)
COSCO Pacific Investment Holdings Limited	Beneficial owner and interest of controlled corporation	Beneficial interest and corporate interest	1,144,166,411	51.11	—	—	—	—	(1)
China COSCO Holdings Company Limited	Interest of controlled corporation	Corporate interest	1,144,166,411	51.11	—	—	—	—	(1)
COSCO	Interest of controlled corporation	Corporate interest	1,144,166,411	51.11	—	—	—	—	(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. COSCO holds 63.83% 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 the 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. XU Lirong	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
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\$18,032,000	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 RMB575,301,100	41%
COSCO Ports (Nansha) Limited <i>(a company incorporated in the British Virgin Islands)</i>	APM Terminals Invest Company Limited	3,390 ordinary shares	33.9%

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
Quanzhou Pacific Container Terminal Co., Ltd. <i>(a Sino-foreign equity joint venture established in the PRC)</i>	泉州港務集裝箱股份有限公司 (Quanzhou Port Container Co., Ltd.)	Registered capital in the amount of US\$14,256,430	28.57%
Yangzhou Yuanyang International Ports Co. Ltd. <i>(a Sino-foreign equity joint venture established in the PRC)</i>	揚州港務集團有限公司 (Yangzhou Ports (Group) Limited)	Registered capital in the amount of US\$11,920,000	40%

(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 Issuers, to be notified to the Company and the Stock Exchange; and
- (ii) so far as was known to the Directors, there was no person 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.

3. DIRECTORS' INTERESTS IN CONTRACTS

- (a) Mr. XU Minjie has entered into a service agreement with COSCO Pacific Management Company Limited, a wholly owned subsidiary of the Company, on 24 January 2007 for a term of three years commencing from 24 January 2007. The agreement is renewable automatically for successive terms of three years subject to termination by either party giving not less than three month's notice in writing to the other party pursuant to the terms of the service agreement. Mr. XU 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 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.
- (e) As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 December 2006, being the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired to disposed of by or leased to any member 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. DIRECTORS' INTEREST IN COMPETING BUSINESS

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, China COSCO, a subsidiary of 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, Mr. XU Lirong, Ms. SUN Yueying, Mr. XU Minjie and Dr. SUN Jiakang, 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. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading positions of the Group since 31 December 2006, being the date to which the latest published audited financial statements of the Group were made up.

7. EXPERT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualifications
DBS Asia Capital Limited	a corporation licensed by the Securities and Futures Commission of Hong Kong for carrying out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO

DBS has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which they respectively appear.

DBS does not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

DBS does not have any direct or indirect interest in any assets which have been, since 31 December 2006 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of any or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

8. 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, 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.

9. 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 16 May 2007:

- (a) the Agreements;
- (b) letter from the Independent Board Committee dated 16 April 2007;
- (c) letter from DBS dated 16 April 2007; and
- (d) the service agreement and the employment contract (as the case may be) set out under (a) to (c) in paragraph 3 headed "Directors' interests in contracts" in this Appendix.



COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

NOTICE IS HEREBY GIVEN that a special general meeting of COSCO Pacific Limited ("Company") will be held at 47th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong on Thursday, 17 May 2007 at 2:45 p.m. (or so soon thereafter as the annual general meeting of the Company convened at the same place and on the same date at 2:30 p.m. shall have been concluded or adjourned) for the purposes of considering and, if thought fit, passing, with or without modification, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. **"THAT** the APM Shipping Continuing Connected Transactions Caps and the APM Shipping Services Master Agreement (a copy of which has been produced to the meeting and marked "A" and initialled by the chairman of the meeting for the purpose of identification), each as defined and described in the circular of the Company dated 16 April 2007 (a copy of which has been produced to the meeting and marked "B" and initialled by the chairman of the meeting for the purpose of identification), and all transactions contemplated thereunder and in connection therewith, be and are hereby approved, ratified and confirmed and any one director of the Company or any other person authorised by the board of directors of the Company from time to time be and is hereby authorised for and on behalf of the Company to execute all such other documents and agreements and do such acts or things as he or she may in his or her absolute discretion consider to be necessary, desirable, appropriate or expedient to implement or give effect to the APM Shipping Services Master Agreement and the transactions contemplated thereunder or to be incidental to, ancillary to or in connection with the matters contemplated under the APM Shipping Services Master Agreement, including agreeing and making any modifications, amendments, waivers, variations or extensions of the APM Shipping Services Master Agreement and the transactions contemplated thereunder."
2. **"THAT** the COSCON Shipping Continuing Connected Transactions Caps and the COSCON Shipping Services Master Agreement (a copy of which has been produced to the meeting and marked "C" and initialled by the chairman of the meeting for the purpose of identification), each as defined and described in the circular of the Company dated 16 April 2007 (a copy of which has been produced to the meeting and marked "B" and initialled by the chairman of the meeting for the purpose of identification), and all transactions contemplated thereunder and in connection therewith, be and are hereby approved, ratified and confirmed and any one director of the Company or any other person authorised by the board of directors of the Company from time to time be and is hereby authorised for and on behalf of the Company to execute all such other documents and agreements and do such acts or things as he or she may in his or her absolute discretion consider to be necessary, desirable, appropriate or expedient to implement or give effect to the COSCON Shipping Services Master Agreement and the transactions contemplated thereunder or to be incidental to, ancillary to or in connection with the matters contemplated under the COSCON Shipping Services Master Agreement, including agreeing and making any modifications, amendments, waivers, variations or extensions of the COSCON Shipping Services Master Agreement and the transactions contemplated thereunder."

NOTICE OF SPECIAL GENERAL MEETING

3. “**THAT** the COSCON Container Continuing Connected Transactions Caps and the COSCON Container Services Agreement (a copy of which has been produced to the meeting and marked “D” and initialled by the chairman of the meeting for the purpose of identification), each as defined and described in the circular of the Company dated 16 April 2007 (a copy of which has been produced to the meeting and marked “B” and initialled by the chairman of the meeting for the purpose of identification), and all transactions contemplated thereunder and in connection therewith, be and are hereby approved, ratified and confirmed and any one director of the Company or any other person authorised by the board of directors of the Company from time to time be and is hereby authorised for and on behalf of the Company to execute all such other documents and agreements and do such acts or things as he or she may in his or her absolute discretion consider to be necessary, desirable, appropriate or expedient to implement or give effect to the COSCON Container Services Agreement and the transactions contemplated thereunder or to be incidental to, ancillary to or in connection with the matters contemplated under the COSCON Container Services Agreement, including agreeing and making any modifications, amendments, waivers, variations or extensions of the COSCON Container Services Agreement and the transactions contemplated thereunder.”

By order of the Board
COSCO Pacific Limited
HUNG Man
Company Secretary

Hong Kong, 16 April 2007

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

Notes:

1. The ordinary resolutions nos. 1, 2 and 3 to be considered at the meeting will be decided by poll. On voting by poll, each member shall have one vote for each share held in the Company.
2. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him in accordance with the Company’s Bye-laws. A proxy need not be a member of the Company but must be present in person to represent the member.
3. To be valid, the proxy form together with any power of attorney or other authority under which it is signed or a certified copy of such power or authority must be deposited at the principal place of business of the Company at 49th Floor, COSCO Tower, 183 Queen’s Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be).

NOTICE OF SPECIAL GENERAL MEETING

4. Where there are joint holders of any shares in the Company, any one of such joint holders may vote at the meeting, either in person or by proxy, in respect of such shares as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
5. As at the date of this notice, members of the Board are Dr. WEI Jiafu² (Chairman), Mr CHEN Hongsheng¹, Mr. LI Jianhong¹, Mr. XU Lirong², Ms. SUN Yueying¹, Mr. XU Minjie¹ (Vice Chairman and Managing Director), Dr. SUN Jiakang², 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 and Mr. Timothy George FRESHWATER³.

¹ Executive Director

² Non-executive Director

³ Independent Non-executive Director