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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisor.

**If you have sold or transferred** all your shares in **COSCO Pacific Limited**, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**COSCO Pacific Limited**  
(Incorporated in Bermuda with limited liability)  
(Stock Code : 1199)

**MAJOR AND CONNECTED TRANSACTION  
IN RELATION TO THE DISPOSAL OF SHAREHOLDING INTEREST IN  
CHONG HING BANK LIMITED**

**Financial adviser to COSCO Pacific Limited**



**Independent financial adviser  
to the Independent Board Committee and the Independent Shareholders**



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A letter from the Independent Board Committee is set out on page 14 of this circular. A letter from DBS containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Disposal is set out on pages 15 to 34 of this circular.

A notice convening the special general meeting of the Company to be held at 47th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong on Thursday, 11 October 2007 at 2:30 p.m. is set out on pages 51 and 52 of this circular. A proxy form for use by the Shareholders at the special general meeting of the Company (or any adjourned meeting thereof) is also enclosed.

Whether or not you are able to attend and/or vote at the special general meeting in person, please complete and return the enclosed proxy form in accordance with the instructions printed thereon 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 holding the special general meeting (or any adjourned meeting thereof). Completion and delivery of the proxy form shall not preclude you from attending and voting at the special general meeting or any adjournment thereof should you so wish.

14 September 2007

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## DEFINITIONS

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

<b>“associate(s)”</b>	has the same meaning ascribed thereto under the Listing Rules
<b>“Bank”</b>	Chong Hing Bank Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Main Board of the Stock Exchange
<b>“Bank Share(s)”</b>	ordinary share(s) of HK\$0.50 each in the capital of the Bank
<b>“Bauhinia 97”</b>	Bauhinia 97 Limited, a company incorporated in the Cayman Islands with limited liability and a wholly-owned subsidiary of the Company
<b>“Board”</b>	the board of Directors
<b>“CCH”</b>	China COSCO Holdings Company Limited, a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Main Board of the Stock Exchange and the A shares of which are listed on the A shares market of the Shanghai Stock Exchange, and an indirect holding company of the Company
<b>“Company”</b>	COSCO Pacific Limited, a company incorporated in Bermuda with limited liability whose Shares are listed on the Main Board of the Stock Exchange
<b>“Completion”</b>	completion of the sale and purchase of the Sale Shares and Sale Loan pursuant to and in accordance with the Sale and Purchase Agreement
<b>“connected person(s)”</b>	has the same meaning ascribed thereto under the Listing Rules
<b>“Consideration”</b>	the aggregate cash consideration for the Sale Shares and the Sale Loan
<b>“COSCO”</b>	China Ocean Shipping (Group) Company, a company established under the laws of the PRC and the ultimate controlling shareholder of the Company
<b>“COSCO Investments”</b>	COSCO Investments Limited, a company incorporated in the British Virgin Islands with limited liability and registered under Part XI of the Companies Ordinance of Hong Kong, which holds 8.93% of the issued share capital of the Company as at the Latest Practicable Date and an indirect subsidiary of COSCO

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## DEFINITIONS

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<b>“COSCO Pacific Investment”</b>	COSCO Pacific Investment Holdings Limited, a company incorporated in Hong Kong with limited liability which holds 42.11% of the issued share capital of the Company as at the Latest Practicable Date and an indirect subsidiary of COSCO
<b>“DBS”</b>	DBS Asia Capital Limited, which is licensed by the Securities and Futures Commission of Hong Kong to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and Independent Shareholders in respect of the Disposal
<b>“Director(s)”</b>	the director(s) of the Company
<b>“Disposal”</b>	the disposal by the Company of the Sale Shares and Sale Loan to the Purchaser pursuant to the Sale and Purchase Agreement
<b>“Group”</b>	the Company and its subsidiaries
<b>“HKMA”</b>	Hong Kong Monetary Authority
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Independent Board Committee”</b>	an independent board committee of the Board comprising two independent non-executive Directors, namely Mr. Chow Kwong Fai, Edward (the Chairman of the committee) and Dr. Li Kwok Po, David, to advise the Independent Shareholders in respect of the Disposal
<b>“Independent Shareholders”</b>	Shareholders other than COSCO Pacific Investment and COSCO Investments and their respective associates
<b>“Latest Practicable Date”</b>	10 September 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“PRC”</b>	the People’s Republic of China
<b>“Purchaser”</b>	COSCO (Hong Kong) Group Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of COSCO

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## DEFINITIONS

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<b>“Sale and Purchase Agreement”</b>	the conditional sale and purchase agreement dated 24 August 2007 entered into between the Company and the Purchaser in relation to the sale and purchase of the Sale Shares and Sale Loan
<b>“Sale Loan”</b>	the unsecured and non-interest bearing loan outstanding and owing from Bauhinia 97 to the Company and repayable on demand as at the date of Completion
<b>“Sale Shares”</b>	two ordinary shares of US\$1.00 each in the issued share capital of Bauhinia 97
<b>“SFO”</b>	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
<b>“SGM”</b>	the special general meeting of the Company to be convened at 47th Floor, COSCO Tower, 183 Queen’s Road Central, Hong Kong on Thursday, 11 October 2007 at 2:30 p.m. to approve, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder
<b>“Shareholder(s)”</b>	holder(s) of the Share(s)
<b>“Share(s)”</b>	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“subsidiaries”</b>	has the same meaning ascribed thereto under the Listing Rules
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong
<b>“RMB”</b>	Renminbi yuan, the lawful currency of the PRC
<b>“S\$”</b>	Singapore dollars, the lawful currency of the Republic of Singapore
<b>“US\$”</b>	United States dollars, the lawful currency of the United States of America
<b>“%”</b>	per cent

Solely for convenience and except as otherwise noted, this circular contains translations of United States dollar amounts into Hong Kong dollars at a rate of US\$1 = HK\$7.8.

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## LETTER FROM THE BOARD

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### **COSCO Pacific Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code : 1199)**

***Directors:***

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

***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

***General Counsel & Company Secretary:***

Ms. HUNG Man, Michelle

<sup>1</sup> Executive Director

<sup>2</sup> Non-executive Director

<sup>3</sup> Independent Non-executive Director

14 September 2007

*To the Shareholders*

Dear Sir or Madam,

### **MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF SHAREHOLDING INTEREST IN CHONG HING BANK LIMITED**

#### **INTRODUCTION**

Reference is made to the announcement of the Company dated 24 August 2007 on a conditional Sale and Purchase Agreement entered into by the Company with the Purchaser, pursuant to which the Company agreed to sell and the Purchaser agreed to purchase (a) the Sale Shares, representing the

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## LETTER FROM THE BOARD

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entire issued share capital of Bauhinia 97; and (b) the rights of and benefits in the Sale Loan, for an aggregate cash consideration of HK\$2,088 million (equivalent to approximately US\$267.7 million). Bauhinia 97 is an investment holding company and its sole asset is 87 million Bank Shares, representing a 20% shareholding interest in the Bank as at the Latest Practicable Date.

The Disposal constitutes a major transaction for the Company under the Listing Rules as the asset ratio for the Disposal exceeds 25% but is less than 75%. As COSCO is a substantial shareholder and a connected person of the Company, and the Purchaser is a wholly-owned subsidiary of COSCO and thus an associate of COSCO, the Disposal also constitutes a connected transaction for the Company under the Listing Rules and is, accordingly, subject to the approval of the Independent Shareholders at the SGM. Since COSCO is also a substantial shareholder of CCH, an indirect holding company of the Company which is also listed on the Main Board of the Stock Exchange, the Disposal also constitutes a connected transaction for CCH under the Listing Rules and is subject to the approval of the independent shareholders of CCH.

N M Rothschild & Sons (Hong Kong) Limited has been appointed as financial adviser to the Company in relation to the Disposal. The Independent Board Committee, comprising Mr. Chow Kwong Fai, Edward (the Chairman of the committee) and Dr. Li Kwok Po, David, has been formed to advise the Independent Shareholders in respect of the Disposal. DBS has been appointed as the independent financial adviser to provide its advice and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Disposal.

The purpose of this circular is to provide the Shareholders with further information in relation to the Disposal, the recommendation of the Independent Board Committee, the letter of advice from DBS and other information required by the Listing Rules, and to give the Shareholders the notice of the SGM.

### THE DISPOSAL

#### The Sale and Purchase Agreement dated 24 August 2007

#### Parties:

**Vendor** : the Company

**Purchaser** : the Purchaser, a wholly-owned subsidiary of COSCO, the ultimate controlling shareholder of the Company

#### Assets being disposed of:

- (a) the Sale Shares, representing the entire issued share capital of Bauhinia 97; and
- (b) the rights of and benefits in the Sale Loan. For reference purpose, based on the unaudited management accounts of Bauhinia 97 for the six months ended 30 June 2007, which have been prepared in accordance with accounting principles generally accepted in Hong Kong, the Sale Loan amounted to approximately US\$169.6 million (equivalent to approximately HK\$1,322.7 million) as at 30 June 2007.

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## LETTER FROM THE BOARD

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Pursuant to the Sale and Purchase Agreement, the interim dividend for the six months ended 30 June 2007 in respect of the 87 million Bank Shares held by Bauhinia 97 shall belong to and be kept in Bauhinia 97.

Please refer to the section headed “Information on Bauhinia 97 and the Bank” for further details.

### **Cash Consideration:**

HK\$2,088 million in cash in aggregate for the Sale Shares and the Sale Loan shall be payable in full upon Completion. The Consideration is on a dollar for dollar basis in respect of the Sale Loan with the remainder attributable to the Sale Shares and no adjustment will be required in respect of any subsequent changes in the amount of the Sale Loan prior to Completion.

The Consideration was determined after commercial negotiations between the parties on an arm’s length basis and with reference to the strategic value of the investment in the Bank, the recent financial performance of the Bank, the recent trading performance of the Bank Shares, the comparable precedent transactions and the price to book ratio of 1.68 times the unaudited net asset value of the Bank as at 30 June 2007.

The Consideration translates to an implied valuation of HK\$24.00 per Bank Share held by Bauhinia 97 (calculated by dividing the Consideration by the 87 million Bank Shares held by Bauhinia 97) which represents:

- (a) a premium of approximately 33.19% over the closing share price of HK\$18.02 per Bank Share as quoted on the Stock Exchange on 24 August 2007, being the date of the Sale and Purchase Agreement;
- (b) a premium of approximately 29.66% over the average closing share price of approximately HK\$18.51 per Bank Share as quoted on the Stock Exchange over the last 30 trading days up to and including 24 August 2007;
- (c) a premium of approximately 25.39% over the average closing share price of approximately HK\$19.14 per Bank Share as quoted on the Stock Exchange over the last 180 trading days up to and including 24 August 2007;
- (d) a premium of approximately 38.57% over the closing share price of HK\$17.32 per Bank Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (e) an implied price earnings ratio of approximately 20.69 times the earnings per Bank Share of approximately HK\$1.16 for the year ended 31 December 2006; and
- (f) a premium of approximately 68.42% over the unaudited net asset value of approximately HK\$14.25 per Bank Share as at 30 June 2007.



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## LETTER FROM THE BOARD

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### Conditions precedent:

Completion of the Sale and Purchase Agreement is conditional upon the following conditions having been fulfilled or waived in accordance with the Sale and Purchase Agreement on or before 31 March 2008:

- (a) the passing by the Independent Shareholders at the SGM (at which COSCO Investments, COSCO Pacific Investment and their respective associates shall abstain from voting) of an ordinary resolution approving the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (b) the passing by the independent shareholders of CCH at its extraordinary general meeting (at which COSCO and its associates shall abstain from voting) of an ordinary resolution approving the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (c) the granting of the written consent by HKMA pursuant to section 70 of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) to the Purchaser becoming a minority shareholder controller (as defined under the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) of the Bank by virtue of the acquisition of the Sale Shares pursuant to the Sale and Purchase Agreement (subject to any conditions which may be imposed by HKMA, to which neither the Purchaser nor the Company may unreasonably object); and
- (d) if so required, the obtaining of all such other regulatory approvals and government consents of any relevant jurisdiction as may be necessary for the entering into of the Sale and Purchase Agreement and/or for Completion.

If the aforesaid conditions have not all been fulfilled by 31 March 2008 or such other day as the Company and the Purchaser shall agree, the Sale and Purchase Agreement shall lapse and neither the Company nor the Purchaser shall have any claim against the other party except in respect of any antecedent claim or breach.

### Completion:

Completion of the Sale and Purchase Agreement shall take place on the second business day after the fulfillment of the above conditions (or such other date as may be agreed by the Company and the Purchaser).

### INFORMATION ON BAUHINIA 97 AND THE BANK

#### Bauhinia 97

Bauhinia 97 is a company incorporated in the Cayman Islands. It is an investment holding company and a wholly-owned subsidiary of the Company. Bauhinia 97 has no business operation other than its holding of 87 million Bank Shares, representing 20% of the entire issued share capital of the Bank as at the Latest Practicable Date. Upon Completion, Bauhinia 97 will cease to be a subsidiary of the Company.

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## LETTER FROM THE BOARD

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The following table sets out the summarised financial information of Bauhinia 97 (which has included Bauhinia 97's share of net assets and results of the Bank under the equity method) as extracted from the management accounts of Bauhinia 97, which have been prepared in accordance with accounting principles generally accepted in Hong Kong, for the years ended 31 December 2005 and 2006 and for the six months ended 30 June 2007:

<b>(Unaudited)</b>	<b>For the year ended 31 December</b>			
	<b>2005</b>		<b>2006</b>	
	<i>US\$'000</i>	<i>HK\$'000 equivalent</i>	<i>US\$'000</i>	<i>HK\$'000 equivalent</i>
Profit before and after taxation	<u>10,023</u>	<u>78,179</u>	<u>12,777</u>	<u>99,661</u>
			<b>As at 31 December 2006</b>	
			<i>US\$'000</i>	<i>HK\$'000 equivalent</i>
Net asset value			<u>474</u>	<u>3,697</u>
			<b>As at 30 June 2007</b>	
			<i>US\$'000</i>	<i>HK\$'000 equivalent</i>
Net asset value			<u>8,144</u>	<u>63,523</u>

### **The Bank**

The Bank is a company incorporated in Hong Kong and a bank licenced by the HKMA pursuant to the Banking Ordinance, Chapter 155 of the Laws of Hong Kong, and is listed on the Main Board of the Stock Exchange. The Bank and its subsidiaries are principally engaged in the business of retail and commercial banking and financial services.

The following table sets out the summarised financial information of the Bank as extracted from its published audited financial statements for the years ended 31 December 2005 and 2006 and its published unaudited financial statements for the six months ended 30 June 2007, which have been prepared in accordance with accounting principles generally accepted in Hong Kong:

<b>(Audited)</b>	<b>For the year ended 31 December</b>	
	<b>2005</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	468,801	570,914
Profit after taxation	<u>397,983</u>	<u>503,144</u>

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## LETTER FROM THE BOARD

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**As at 31 December 2006**

*HK\$'000*

Net asset value 6,051,730

**(Unaudited)**

**As at 30 June 2007**

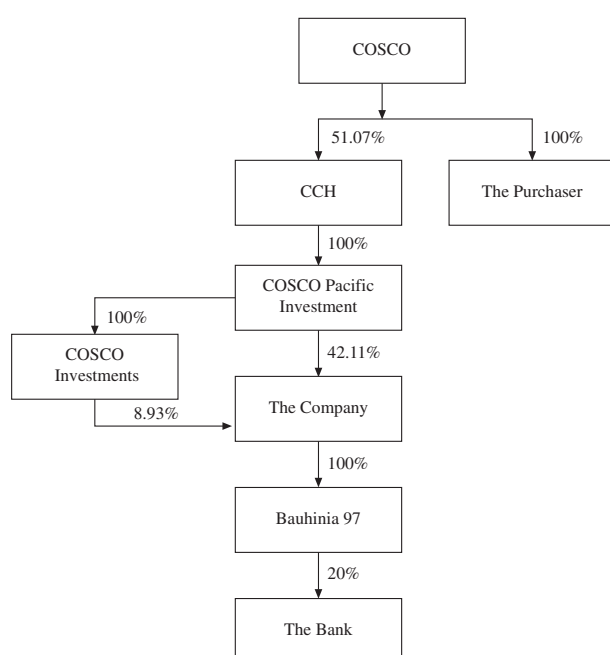
*HK\$'000*

Net asset value 6,198,912

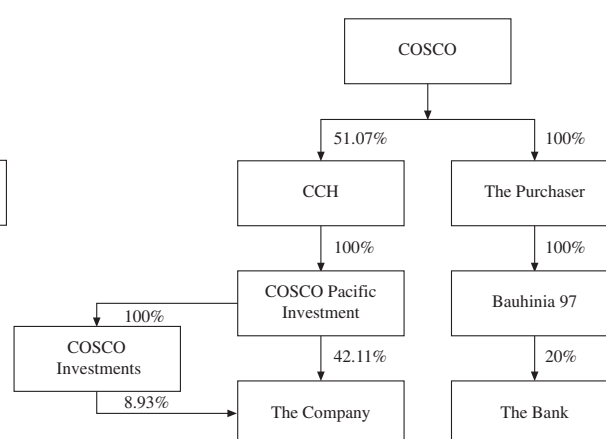
### SIMPLIFIED CORPORATE STRUCTURE

The following sets out the simplified corporate structures in respect of the shareholding of CCH, the Company, Bauhinia 97 and the holding of 20% shareholding interest in the Bank as at the Latest Practicable Date and immediately after Completion:

#### As at the Latest Practicable Date



#### Immediately after Completion



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## LETTER FROM THE BOARD

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### BACKGROUND TO, AND REASONS FOR, THE DISPOSAL

The Group is principally engaged in the businesses of managing and operating container terminals, container leasing, container management, logistics, container manufacturing and related businesses and other investments. The Purchaser is principally engaged in shipping and shipping related businesses. The Group acquired 87 million Bank Shares in 1997, representing 20% of the issued share capital of the Bank as at the Latest Practicable Date, and has held its investment in the Bank as a long-term investment since then. Over the past 10 years, the Group has continuously modified and refined its corporate strategies with a view to enhancing its enterprise value for the Shareholders. The Group has adopted a vision to transform its business model by becoming a leading global port operator and by focusing on ports as the principal earnings driver. As such, the Group's 20% shareholding interest in the Bank has become a non-core investment. The Disposal provides an opportunity for the Group to divest its non-core investment and the cash consideration from the Disposal will be used for investments in its core businesses. The Group intends to apply the Consideration primarily to new and existing terminal investments. However, no negotiations or agreements on specific new terminal investment to which the Consideration may be applied had been finalised as at the Latest Practicable Date.

The Board considers that the Sale and Purchase Agreement is on normal commercial terms and in the ordinary and usual course of business of the Group, and that its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### FINANCIAL EFFECTS OF THE DISPOSAL

#### Earnings

The profit attributable to the 20% shareholding interest in the Bank as reflected in the audited financial statements of the Group for the year ended 31 December 2006 amounted to approximately US\$12.8 million (equivalent to approximately HK\$99.8 million), representing approximately 4.3% of the Group's profit after taxation for the year. The Bank will cease to be an associated company of the Group following Completion.

Furthermore, the Directors expect that the Group will realise an estimated gain of approximately US\$89.9 million (equivalent to approximately HK\$701.2 million) from the Disposal. The estimated gain on the Disposal is calculated with reference to the Consideration and the Group's share of net assets of the 20% shareholding interest in the Bank as at 30 June 2007 as reflected in the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2007. The actual gain on the Disposal will be subject to change as the amount will be calculated based on the Group's interest in the Bank as of the date of Completion.

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## LETTER FROM THE BOARD

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### Assets and liabilities

Upon Completion, the Group's interests in associated companies will decrease by approximately US\$177.8 million (equivalent to approximately HK\$1,386.8 million) (being the Group's share of net assets of the Bank as at 30 June 2007), which accounted for approximately 5.1% of the Group's consolidated total assets as at 30 June 2007. The Company will receive the Consideration of HK\$2,088 million in cash. The cash receipt of the Consideration is intended to be used for the purpose as further described in the paragraph headed "Background to, and reasons for, the Disposal" above.

Taking into account all of the above, it is estimated that the consolidated total assets and net assets of the Group will be increased by approximately US\$89.9 million (equivalent to approximately HK\$701.2 million). The Disposal should have no significant effect on the Group's liabilities.

### IMPLICATIONS OF THE LISTING RULES

The Disposal constitutes a major transaction for the Company under the Listing Rules as the asset ratio for the Disposal exceeds 25% but is less than 75%. As COSCO is a substantial shareholder and a connected person of the Company, and the Purchaser is a wholly-owned subsidiary of COSCO and thus an associate of COSCO, the Disposal also constitutes a connected transaction for the Company under the Listing Rules and is, accordingly, subject to the approval of the Independent Shareholders at the SGM. Since COSCO is also a substantial shareholder of CCH, an indirect holding company of the Company which is also listed on the Main Board of the Stock Exchange, the Disposal also constitutes a connected transaction of CCH under the Listing Rules and is subject to the approval of the independent shareholders of CCH.

COSCO Pacific Investment and COSCO Investments (being indirect subsidiaries of COSCO) together held approximately 51.04% of the total issued share capital of the Company as at the Latest Practicable Date. Since the Purchaser is a wholly-owned subsidiary of COSCO, COSCO and its associates will abstain from voting on the ordinary resolution to be proposed at the SGM to approve the Disposal.

### SGM

A notice convening the SGM to be held at 47th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong on Thursday, 11 October 2007 at 2:30 p.m. at which an ordinary resolution will be proposed for the approval by the Independent Shareholders of the Disposal is set out on pages 51 and 52 of this circular. In compliance with the Listing Rules, the votes to be taken at the SGM in respect of the ordinary resolution to approve the Disposal will be taken by poll, the results of which will be announced after the SGM.

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## LETTER FROM THE BOARD

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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.

### PROCEDURES TO DEMAND POLL

Under 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 a 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 a 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 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
- (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 on poll for the ordinary resolution in respect of the Disposal and Tricor Secretaries Limited, the branch share registrar of the Company in Hong Kong, will serve as the scrutineer for the vote-taking.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Independent Board Committee, having taken into account the advice of DBS, considers that the terms of the Disposal are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole. The Independent Board Committee therefore recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Disposal.

### ADDITIONAL INFORMATION

Your attention is drawn to the letters from the Independent Board Committee and from DBS which are respectively set out on page 14 and pages 15 to 34 of this circular. Additional information is set out in the appendices of this circular for your information.

Yours faithfully,  
For and on behalf of  
**COSCO Pacific Limited**  
**XU Minjie**  
*Vice Chairman & Managing Director*

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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**COSCO Pacific Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code : 1199)**

14 September 2007

*To the Independent Shareholders*

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION  
IN RELATION TO THE DISPOSAL OF SHAREHOLDING INTEREST IN  
CHONG HING BANK LIMITED**

We have been appointed as members of the Independent Board Committee to advise you in connection with the Disposal, details of which are set out in the “Letter from the Board” in a circular of the Company dated 14 September 2007 to the Shareholders (the “Circular”), of which this letter forms part. Terms used in this letter shall have the same meaning as defined in the Circular unless the context otherwise requires.

DBS has been appointed to advise us and the Independent Shareholders on whether the terms of the Disposal are fair and reasonable and whether the Disposal is in the interests of the Company and the Shareholders as a whole. Details of its advice are set out on pages 15 to 34 of the Circular. Your attention is also drawn to the “Letter from the Board” set out on pages 4 to 13 of the Circular.

Having considered the advice and recommendation of DBS, we consider that the terms of the Disposal are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole. We, therefore, recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Disposal.

Yours faithfully,  
Independent Board Committee

**CHOW Kwong Fai, Edward**  
*Independent non-executive Director*

**LI Kwok Po, David**  
*Independent non-executive Director*



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## LETTER FROM DBS

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*The following is the text of the letter of advice from DBS, the independent financial adviser to the Independent Board Committee and Independent Shareholders, in respect of the major and connected transaction in relation to the Disposal of shareholding interest in Chong Hing Bank Limited, which has been prepared for the purpose of inclusion in this circular.*



14 September 2007

*To the Independent Board Committee  
and Independent Shareholders*

*COSCO Pacific Limited*

Dear Sirs,

### **MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF SHAREHOLDING INTEREST IN CHONG HING BANK LIMITED**

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to the Independent Board Committee and Independent Shareholders in respect of the disposal of the Sale Shares, representing the entire issued share capital of Bauhinia 97 as well as its rights of and benefits in the Sale Loan to the Purchaser. Bauhinia 97 is an investment holding company which holds a 20% shareholding interest in the Bank. Further details of the Disposal are set out in the letter from the Board (the "Letter from the Board") in the circular of the Company to its Shareholders dated 14 September 2007 (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

The Disposal constitutes a major transaction for the Company under the Listing Rules as the asset ratio for the Disposal exceeds 25% but is less than 75%. As COSCO is a substantial shareholder and a connected person of the Company, and the Purchaser is a wholly-owned subsidiary of COSCO and thus an associate of COSCO, the Disposal also constitutes a connected transaction for the Company under the Listing Rules and is, accordingly, subject to the approval of the Independent Shareholders at the SGM. Since COSCO is also a substantial shareholder of CCH, an indirect holding company of the Company which is also listed on the Main Board of the Stock Exchange, the Disposal also constitutes a connected transaction for CCH under the Listing Rules and is subject to the approval of the independent shareholders of CCH.

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## LETTER FROM DBS

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Our scope of work under this engagement is to assess whether the terms of the Disposal are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote on the resolution to be proposed at the SGM in respect of the Disposal.

### **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 respective subsidiaries or associates.

### **BACKGROUND AND TERMS OF THE DISPOSAL**

On 24 August 2007, the Company entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Company agreed to sell and the Purchaser agreed to purchase:-

- (a) the Sale Shares, representing the entire issued share capital of Bauhinia 97; and
- (b) the rights of and benefits in the Sale Loan

for the Consideration of HK\$2,088 million.

The Consideration was determined following commercial negotiations between the parties on an arm's length basis and with reference to the strategic value of the investment in the Bank, the recent financial performance of the Bank, the recent trading performance of the Bank Shares, the comparable precedent transactions and the price to book ("P/B") multiple of 1.68 times of the unaudited net asset value of the Bank as at 30 June 2007.

The Consideration translates to an implied valuation of HK\$24.00 per Bank Share (the "Selling Price") held by Bauhinia 97 (calculated by dividing the Consideration by the 87,000,000 Bank Shares held by Bauhinia 97).

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## LETTER FROM DBS

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For further details on the terms of the Disposal, your attention is drawn to the “Letter from the Board”.

### PRINCIPAL FACTORS CONSIDERED

In arriving at our recommendation to the Independent Board Committee and Independent Shareholders in respect of the Disposal, we have considered the following principal factors:

#### 1. Background of Bauhinia 97 and the Bank

##### Bauhinia 97

Bauhinia 97 is a company incorporated in the Cayman Islands. It is an investment holding company and a wholly-owned subsidiary of the Company. Bauhinia 97 has no business operation other than its holding of 87,000,000 Bank Shares, representing 20% of the entire issued share capital of the Bank as at the Latest Practicable Date. Upon Completion, Bauhinia 97 will cease to be a subsidiary of the Company.

The following table sets out the summarised financial information of Bauhinia 97 (which has included Bauhinia 97’s share of net assets and results of the Bank under the equity method) as extracted from the management accounts of Bauhinia 97, which have been prepared in accordance with accounting principles generally accepted in Hong Kong, for the years ended 31 December 2005 and 2006 and for the six months ended 30 June 2007:

(Unaudited)	For the year ended 31 December			
	2005		2006	
	<i>US\$'000</i>	<i>HK\$'000</i> <i>equivalent</i>	<i>US\$'000</i>	<i>HK\$'000</i> <i>equivalent</i>
Profit before and after taxation	<u>10,023</u>	<u>78,179</u>	<u>12,777</u>	<u>99,661</u>
			<b>As at 31 December 2006</b>	
			<i>US\$'000</i>	<i>HK\$'000</i> <i>equivalent</i>
Net asset value			<u>474</u>	<u>3,697</u>
			<b>As at 30 June 2007</b>	
			<i>US\$'000</i>	<i>HK\$'000</i> <i>equivalent</i>
Net asset value			<u>8,144</u>	<u>63,523</u>

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## LETTER FROM DBS

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### **Net asset value**

The increase in the net asset value of Bauhinia 97 as at 30 June 2007 as compared to 31 December 2006 was mainly due to the share of net profit of the Bank for the six months period ended 30 June 2007.

### **The Bank**

The Bank is a company incorporated in Hong Kong and a bank licensed by the HKMA pursuant to the Banking Ordinance, Chapter 155 of the Laws of Hong Kong and is listed on the Main Board of the Stock Exchange. The Bank and its subsidiaries are principally engaged in the business of retail and commercial banking and financial services.

Out of ten banks which are listed on the Stock Exchange and have operations mainly in banking and predominantly with operations in Hong Kong, the Bank ranked ninth out of ten banks in terms of total assets.

## **2. Business Overview**

### **Hong Kong's banking sector performance overview**

According to the half-yearly monetary and financial stability report released by HKMA in June 2007, the profits of retail banks continued to grow in the first three months of 2007, with a broad-based improvement in incomes outpacing the increase in general and administrative expenses. Capitalisation and liquidity remained strong, and asset quality further improved. High liquidity due to capital inflows, coupled with limited lending opportunities, has contributed to further intensification of price competition, in particular in the mortgage market and the increased holding of debt instruments and expansion of unsecured consumer loans.

According to a research letter issued by HKMA in 2007, a study was carried out in assessing the determinants of banks' profitability. The findings suggested that larger banks are generally more cost efficient than smaller banks, and larger banks are more capable to sustain operations in a lower interest rate margin environment. The analysis further suggested that larger banks may be able to exert significant pricing pressures on smaller banks.

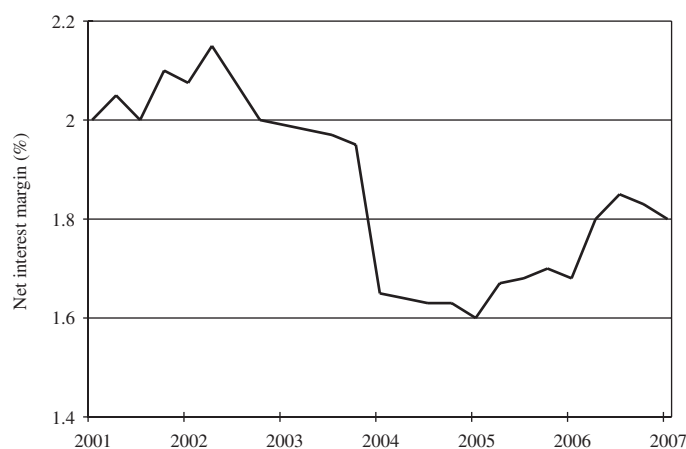
Chart 1 below shows the net interest margin for the past seven years of the banking sector in Hong Kong. We note that there was a downward trend in the net interest margin in the banking sector since late 2006.

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## LETTER FROM DBS

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**Chart 1 — Net interest margin of banks in Hong Kong from 2001 - 2007**



### *Profitability*

Retail bank profitability, measured by pre-tax operating profit as a percentage of total assets, improved in the first three months of 2007. Underpinning this was growth in both net interest income and non-interest income. These more than offset higher general and administrative expenses arising from a significant increase in staff and rental expenses.

The increase in net interest income was due mainly to a general expansion of interest-bearing assets, including loans and advances to customers and negotiable debt instruments held, which outweighed the decline in net interest margins. For non-interest income, the increase was partly due to the strong rise in trading income.

### *Capitalisation*

The aggregate consolidated capital adequacy ratio of locally incorporated banks stood at 13.6% at the end of March 2007, which was strong and well above the minimum international standard of 8%.

### *Liquidity and funding*

In the first quarter of 2007, the average liquidity ratio of retail banks stood at 50.1%, substantially higher than the regulatory minimum of 25%.

The liquidity level of banks also depends on the extent to which customer deposits are used to finance illiquid loans. At the end of March 2007, the Hong Kong dollar loan-to-deposit ratio was at 75.7% for the banking sector as a whole, and at 70.6% for retail banks. Such a structure suggests that liquidity risk may not be a major concern.

### *Asset quality*

The asset quality of the banking sector continued to improve during the first three months of 2007. The proportion of classified loans in total loans reached a record low. This is in line with the continued growth of the domestic economy, which has supported corporate profitability and household income. As at March 2007, the classified loan ratio was 1.00%.

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**LETTER FROM DBS**

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**3. The Bank's historical financial performance**

Table 1 below sets out the Bank's consolidated income statement for the three years ended 31 December 2004, 2005 and 2006, as well as for the six months ended 30 June 2006 and 30 June 2007.

**Table 1 — The Bank's consolidated income statement**

	<b>Audited</b>			<b>Unaudited</b>	
	<b>Year ended</b>			<b>Six months ended</b>	
	<b>31 December</b>			<b>30 June</b>	
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2006</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$' 000</i>
<b>CONSOLIDATED INCOME STATEMENT</b>					
Interest income	990,813	1,719,338	2,740,518	1,336,416	1,548,667
Interest expense	(341,316)	(966,486)	(1,911,979)	(895,020)	(1,102,498)
Net interest income	649,497	752,852	828,539	441,396	446,169
Other operating income	268,053	217,129	301,689	137,128	196,048
Operating income	917,550	969,981	1,130,228	578,524	642,217
Operating expenses	(457,214)	(493,129)	(591,537)	(278,623)	(309,018)
Operating profit	460,336	476,852	538,691	299,901	333,199
Impairment allowances on loans and advances	(51,175)	(67,807)	(59,801)	(38,289)	(41,109)
Other income	8,775	56,180	58,478	27,983	40,219
Share of results of jointly controlled entities	11,319	3,576	33,546	6,391	23,587
<b>PROFIT BEFORE TAX</b>	429,255	468,801	570,914	295,986	355,896
Taxation	(69,398)	(70,818)	(67,770)	(47,145)	(55,164)
<b>PROFIT FOR THE YEAR/PERIOD</b>	<u>359,857</u>	<u>397,983</u>	<u>503,144</u>	<u>248,841</u>	<u>300,732</u>

*Source:* The Bank's audited financial results for the year ended 31 December 2005 and 31 December 2006 and unaudited financial results for the six months ended 30 June 2007

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## LETTER FROM DBS

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### **Net interest income**

The Bank recorded steady interest income growth over the last three and a half year period. Interest income grew 15.9% for the six months ended 30 June 2007 (“1H2007”) compared to the six months ended 30 June 2006 (“1H2006”). Interest income grew 59.4% and 73.5% for the year ended 31 December 2006 (“FY2006”) and year ended 31 December 2005 (“FY2005”) compared to FY2005 and the year ended 31 December 2004 (“FY2004”) respectively. Interest income growth has largely been driven by aggressive lending as the Bank scales up its operations to increase its market share. However, growth has slowed down over the years as the Bank faces continued pricing pressures on its loans given the increasingly competitive landscape it operates in. Its aggressive mortgage loan pricing and active participation in low-cost large corporate syndicated loans has resulted in margin contraction over the years.

Interest expense also grew over the period. Interest expense was 23.2% higher in 1H2007 when compared to 1H2006. Interest expense grew 97.8% and 183.2% in FY2006 and FY2005 when compared to FY2005 and FY2004 respectively. Interest expense growth has largely been driven by escalating funding costs as a result of aggressive deposit taking.

Net interest income grew only 1.1% in 1H2007 from 1H2006. Net interest income grew 10.1% and 15.9% in FY2006 and FY2005 when compared to FY2005 and FY2004 respectively. The slowing net interest income growth can be attributed to higher funding expenses due to aggressive deposit taking, aggressive pricing stance on loans and changing asset mix to lower-margin products.

### **Operating profit**

The Bank recorded steady operating income growth over the last three and a half years. Operating income grew 11.0% in 1H2007 from 1H2006. Operating income grew 16.5% and 5.7% in FY2006 and FY2005 compared to FY2005 and FY2004 respectively. Besides growth in net interest income, operating income growth was also partly bolstered by growing non-interest income, due in part to a buoyant capital market as well as better cross-selling performance at the retail banking business.

Operating expenses also grew over the period. Operating expenses was 10.9% higher in 1H2007 when compared to 1H2006. Operating expenses grew 20.0% and 7.9% in FY2006 and FY2005 when compared to FY2005 and FY2004 respectively. The growth in operating expenses is a result of aggressive network expansion, higher staff costs and re-branding costs.

With both operating income and operating expenses climbing as a result of an expansion in its operations, the Bank registered stable operating profit growth over the period. Operating profit was 11.1% higher in 1H2007 when compared to 1H2006. Operating profit grew 13.0% and 3.6% in FY2006 and FY2005 when compared to FY2005 and FY2004 respectively.

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**LETTER FROM DBS**

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Table 2 below sets out the Bank's consolidated balance sheet for the three years ended 31 December 2004, 2005 and 2006, as well as for the six months ended 30 June 2006 and 30 June 2007.

**Table 2 — The Bank's consolidated balance sheet**

<b>CONSOLIDATED BALANCE SHEET</b>	<b>Audited</b>			<b>Unaudited</b>
	<b>2004</b>	<b>As at 31 December</b>		<b>As at 30 June</b>
	<b>2005</b>	<b>2006</b>		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Assets</b>				
Cash and short-term funds	13,606,947	11,798,479	16,256,859	15,688,740
Placements with banks and other financial institutions	1,544,695	2,029,416	2,638,461	4,158,230
Advances and other accounts	20,246,034	24,508,061	27,497,020	28,558,976
Other assets	<u>5,963,555</u>	<u>11,637,796</u>	<u>16,637,559</u>	<u>18,055,268</u>
<b>TOTAL ASSETS</b>	<u>41,361,231</u>	<u>49,973,752</u>	<u>63,029,899</u>	<u>66,461,214</u>
<b>Liabilities</b>				
Deposits and balances of banks and other financial institutions	1,559,633	2,263,504	528,993	1,040,782
Deposits from customers	33,951,631	41,506,292	54,675,232	57,464,598
Other liabilities	<u>290,316</u>	<u>370,820</u>	<u>1,773,944</u>	<u>1,756,922</u>
<b>Total liabilities</b>	<u>35,801,580</u>	<u>44,140,616</u>	<u>56,978,169</u>	<u>60,262,302</u>
<b>Shareholders' equity</b>	<u>5,559,651</u>	<u>5,833,136</u>	<u>6,051,730</u>	<u>6,198,912</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>41,361,231</u>	<u>49,973,752</u>	<u>63,029,899</u>	<u>66,461,214</u>
<b>KEY RATIOS</b>				
Loan-deposit ratio	51.7%	50.9%	44.9%	44.3%
Non performing loans	3.9%	2.7%	1.2%	1.0%
Capital adequacy ratio	20.0%	15.2%	15.6%	15.6%

*Source:* The Bank's audited financial results for FY2005 and FY2006 and unaudited financial results for 1H2007



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## LETTER FROM DBS

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### **Loans and deposits**

As the Bank has rolled out its expansion plans to scale up its presence and gain market share, both loan and deposit base recorded growth over the last three and a half years. Loans grew 3.9%, 12.2% and 21.1% in 1H2007, FY2006 and FY2005 from FY2006, FY2005 and FY2004 respectively. Deposits grew 5.1%, 31.7% and 22.3% in 1H2007, FY2006 and FY2005 from FY2006, FY2005 and FY2004 respectively.

As deposit growth outstrips loan growth, the loan-deposit ratio has correspondingly fallen over the period. Loan-deposit ratio fell from 51.7% in FY2004 to 44.3% in 1H2007. The loan-deposit ratio of the banking sector has declined in general due to funds from worldwide entering Hong Kong to invest in the stock market. In addition, the Bank adopted an aggressive network expansion strategy opening eight new branches in 2006 to attract more deposits; and therefore, lowering the loan-deposit ratio.

### **Asset quality**

The Bank reported strong improvements in non performing loans figures over the period. Level of non performing loans fell from 3.9% in FY2004 to 1.0% in 1H2007. The improving asset quality was attributable to slower new non-performing loans formation in a generally favourable credit environment and growing economy in Hong Kong for the three and a half year period ended 30 June 2007.

### **Capital adequacy**

The Bank reported consistent capital adequacy ratio over the period. It reported a capital adequacy ratio of 15.6%, 15.6%, 15.2% and 20.0% in 1H2007, FY2006, FY2005 and FY2004 respectively. At all times, the Bank's capital adequacy ratio is above the minimum 10% required of all banks incorporated in Hong Kong.

## **4. Reasons for the Disposal**

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

The Group acquired 87 million Bank Shares in 1997, representing 20% of the issued share capital of the Bank as at the Latest Practicable Date, and has held its investment in the Bank as long-term investment since then. Over the past 10 years, the Group has continuously modified and refined its corporate strategies with a view to enhancing its enterprise value for its Shareholders. The Group has adopted a vision to transform its business model by becoming a leading global port operator and by focusing on ports as the principal earnings driver. As such, the Group's holding in the 20% equity interest in the Bank has become a non-core investment. The Disposal provides an opportunity for the Group to divest its non-core investment and the cash consideration from the Disposal will be used for investments in its core businesses.

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## LETTER FROM DBS

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The Group intends to apply the Consideration primarily to new and existing terminal investments. However, no negotiations or agreements on specific new terminal investment to which the Consideration may be applied have been finalised as at the Latest Practicable Date.

As mentioned in the section headed “Business Overview” above, the findings from HKMA suggested that larger banks are generally more cost efficient and are more capable to sustain operations in a lower interest rate margin environment. Larger banks may be able to exert significant pricing pressures on smaller banks. Due to the recent downward trend in the net interest margin in Hong Kong, the Bank may be exposed to higher pricing pressures and competition.

Although the financial performance of the Bank was on an upward trend for the past few years, the return on assets (“ROA”) of 0.9% and return on equity (“ROE”) of 8.5% lags behind the average of the Selected Comparable Banks (as defined in the section headed “Comparison with selected publicly-listed banks in Hong Kong” below) average of 1.3% and 13.2% respectively. Furthermore, taking into account the Consideration and the dividend received by the Group over the years, we note that the internal rate of return for the Disposal is approximately 3.8% per annum. This return is lower than the Company’s ROA of 10.0% and ROE of 14.4% for the year ended 31 December 2006.

Having considered the factors discussed above, we concur with the Board that the Disposal provides an opportunity for the Group to divest its non-core investment and put resources in investments in its core business, which might be able to generate returns higher than the investment return from the Bank.

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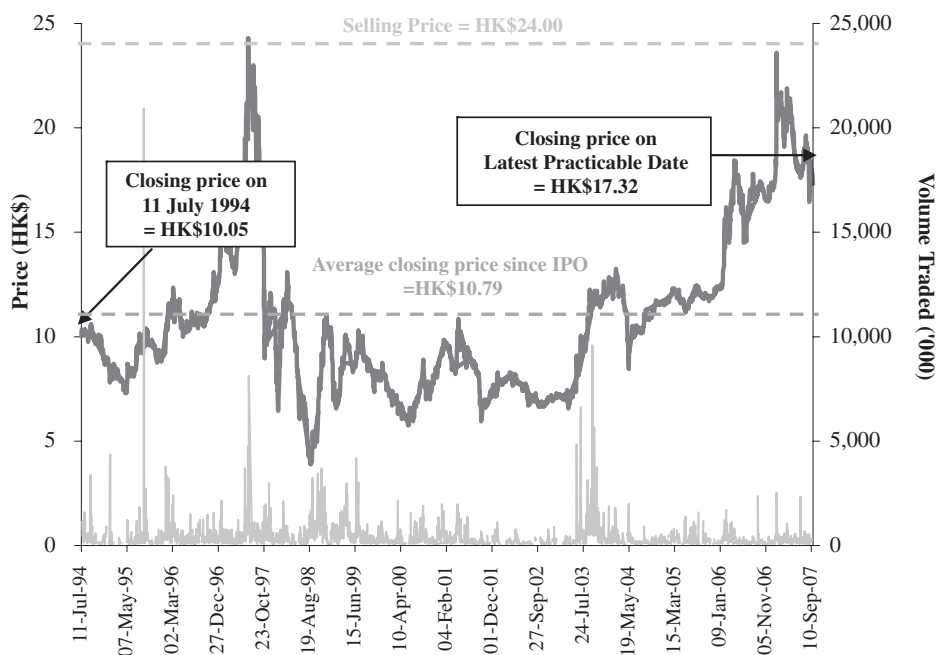
## LETTER FROM DBS

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### 5. Historical share price performance of the Bank Shares and trading liquidity

We have compared the Selling Price with the historical share price performance of the Bank Shares. We set out below a chart highlighting the Selling Price relative to the daily closing prices of the Bank Shares since the date of the Bank’s initial public offering (“IPO”) on 11 July 1994 to the Latest Practicable Date.

**Chart 2 — Daily closing prices of the Bank Shares from IPO to the Latest Practicable Date**



Source: Bloomberg

Since the Bank’s IPO on 11 July 1994 and up to the Latest Practicable Date, the closing prices of the Bank Shares traded within a range of HK\$3.65 and HK\$27.60, and at an average of HK\$10.79. The Selling Price is within the Bank Shares’ historical trading range and is at a significant premium of 122.0% over the Bank Shares’ average trading price of HK\$10.79 since IPO.

In addition, we note that since the Bank’s IPO on 11 July 1994 and up to the Latest Practicable Date, the Bank Shares trading price has only exceeded the Selling Price on five trading days, the prices were HK\$24.95 on 10 July 1997, HK\$ 24.30 on 11 July 1997 and 14 July 1997, HK\$ 27.60 on 15 July 1997 and HK\$ 24.20 on 15 January 2007.

We have further compared the Selling Price with the closing price as at the Latest Practicable Date as well as the average of the last closing prices of the Bank Shares over different observation periods prior to the date of the announcement (“Announcement Date,”) as set out in Table 3 below.

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## LETTER FROM DBS

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**Table 3 — Selling Price versus average closing price of the Bank Shares**

	<b>Average closing price (HK\$)</b>	<b>Premium/ (discount) of Selling Price over/ to average closing price</b>
Closing price as at the Latest Practicable Date	17.32	38.6%
Closing price on Announcement Date	18.02	33.2%
Average closing price for the last 30 trading days prior to the Announcement Date	18.51	29.7%
Average closing price for the last 180 trading days prior to the Announcement Date	19.14	25.4%
Closing price on 11 July 1994	10.05	138.8%
Average closing price since 11 July 1994	10.76	123.0%

*Source:* Bloomberg

We note from the above table that the Selling Price is at a premium to the average closing prices of the Bank Shares across all observation periods.

The average daily trading volume of the Bank Shares since IPO and up to the Latest Practicable Date is approximately 382,000 shares, which is equivalent to approximately 0.08% of the Bank's issued share capital. The relatively low trading volume of the Bank Shares implies that the Company is unlikely to be able to sell a significant number of Bank Shares in the open market without depressing the market price of the Bank Shares. We are of the view that the Disposal provides an opportunity for the Company to realise its investment in the Bank in full at the Selling Price.

### **6. Comparison with selected publicly-listed banks in Hong Kong**

When performing analysis on the valuation multiples implied by the Selling Price, we selected banks in Hong Kong that meet the following criteria in our study as being comparable to the Bank:-

- (a) Listed on the Stock Exchange;
- (b) Pure core banking operations with minimal activities in other businesses;
- (c) Majority of operations in Hong Kong with minimal activities in other geographic segments;  
and
- (d) Market capitalisation below HK\$50 billion.

## LETTER FROM DBS

We note that there were several banks in Hong Kong listed on the Stock Exchange with market capitalisation substantially above the Bank's market capitalisation as implied by the Selling Price. In order to present a more representative set of valuation multiples for comparison purposes, we have excluded those banks with market capitalisation in excess of HK\$50 billion. Larger capitalisation companies typically possess operating characteristics which are very different from smaller capitalisation companies. These characteristics include, but are not limited to, scale of operations, asset base, financial and operating risk profiles, track record, shareholders base and growth potential. The banks with market capitalisations of less than HK\$50 billion ("Selected Comparable Banks") as at the Latest Practicable Date are considered to be more comparable with the Bank when conducting our comparable company analysis.

Table 4 sets out the trading valuation multiples of Selected Comparable Banks as at the Latest Practicable Date.

**Table 4 — Trading valuation multiples of Selected Comparable Banks as at the Latest Practicable Date**

COMPARABLE COMPANY ANALYSIS (as at Latest Practicable Date)	Market Capitalisation	Last Price	Valuation Multiples		Key Financial Ratios		Dividend Yield	Capital adequacy ratio
Company	(HK\$m)	(HK\$)	P/B (x)	P/E (Historical) (x)	ROA	ROE		
<b>Chong Hing Bank Limited (Implied by Selling Price)</b>	<b>10,440</b>	<b>24.00</b>	<b>1.68</b>	<b>20.69</b>	<b>0.9%</b>	<b>8.5%</b>	<b>2.6%</b>	<b>15.6%</b>
<b>Chong Hing Bank Limited (Actual)</b>	<b>7,534</b>	<b>17.32</b>	<b>1.22</b>	<b>14.97</b>	<b>0.9%</b>	<b>8.5%</b>	<b>3.6%</b>	<b>15.6%</b>
<b>Banks with market capitalisation below HK\$50 billion:</b>								
CITIC International Financial Holdings Ltd	33,498	5.82	1.66	29.75	1.3%	11.3%	2.3%	17.1%
Wing Hang Bank Ltd	27,635	93.70	2.84	16.64	1.5%	18.9%	3.0%	15.2%
Industrial and Commercial Bank of China Asia Ltd	20,878	18.32	1.75	16.76	1.0%	12.4%	3.6%	16.0%
Wing Lung Bank	18,389	79.20	1.57	11.45	2.0%	14.9%	4.3%	16.0%
Dah Sing Banking Group Ltd	15,108	16.22	1.62	12.63	1.2%	13.3%	4.3%	16.6%
Fubon Bank Hong Kong Ltd	5,099	4.35	1.27	15.99	0.6%	8.5%	4.1%	16.8%
<b>High</b>			<b>2.84</b>	<b>29.75</b>	<b>2.0%</b>	<b>18.9%</b>	<b>4.3%</b>	<b>17.1%</b>
<b>Average</b>			<b>1.78</b>	<b>17.14</b>	<b>1.3%</b>	<b>13.2%</b>	<b>3.6%</b>	<b>16.3%</b>
<b>Median</b>			<b>1.64</b>	<b>16.11</b>	<b>1.3%</b>	<b>12.9%</b>	<b>3.9%</b>	<b>16.3%</b>
<b>Low</b>			<b>1.27</b>	<b>11.45</b>	<b>0.6%</b>	<b>8.5%</b>	<b>2.3%</b>	<b>15.2%</b>

Source: Thomson ONE Banker, Bloomberg, company announcements, company latest published annual reports, company financial results announcements

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## LETTER FROM DBS

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*Notes:*

1. P/B multiple is calculated based on the target's latest available financial results as at date of announcement of transaction
2. P/E (Historical) multiple is calculated based on the target's latest available full year financial results as at date of announcement of transaction

Table 5 sets out the premium/(discount) of the Bank's valuation as implied by the Selling Price over/ to the Selected Comparable Banks' trading valuation.

**Table 5 — Premium/(discount) of valuation as implied by Selling Price over/to Selected Comparable Banks' trading valuation**

	P/B Multiple of 1.68 times		P/E (Historical) Multiple of 20.69 times	
	Selected Comparable Banks' trading range (x)	Premium/ (discount) of valuation implied by Selling Price	Selected Comparable Banks' trading range (x)	Premium/ (discount) of valuation implied by Selling Price
<b>High</b>	2.84	(40.8)%	29.75	(30.5)%
<b>Average</b>	1.78	(5.6)%	17.14	20.7%
<b>Low</b>	1.27	32.1%	11.45	80.7%

The Selling Price of HK\$24.00 represents an implied P/B multiple of 1.68 times. We note from Table 5 that this is within the Selected Comparable Banks' trading P/B multiple range of 1.27 times to 2.84 times. We also note that the implied P/B multiple of 1.68 times represents a 5.6% discount to the Selected Comparable Banks' average trading P/B multiple of 1.78 times.

The Selling Price of HK\$24.00 represents an implied P/E multiple of 20.69 times. We note from Table 5 that this is within the Selected Comparable Banks' trading P/E multiple range of 11.45 times to 29.75 times. We also note that the implied P/E multiple of 20.69 times represents a 20.7% premium over the Selected Comparable Banks' average trading P/E multiple of 17.14 times. We wish to highlight that P/E multiple can be distorted by among others, different accounting practices, leverage and changes in capital.

Furthermore, we note that the dividend yield and the capital adequacy ratio of the Bank are generally in line with the Selected Comparable Banks.

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The ROA and ROE of the Bank were amongst the lowest of the Selected Comparable Banks. In view of the low ROA and ROE, the P/B and P/E as implied by the Selling Price should be compared against the low end of the range. The P/B and P/E as implied by the Selling Price was 32.1% and 80.7% higher than the low end of the range respectively.

### 7. Precedent transaction analysis

In considering the fairness and reasonableness of the Selling Price, we have made reference to the terms of recent merger and takeover transactions in the banking sector in Hong Kong. Accordingly, we have reviewed transactions (“Selected Precedent Transactions”) for which information is publicly available and that have been announced and completed, involving the acquisition of banks that operate in the Hong Kong banking sector which have been announced and completed within the last six years.

It was noted that most of the Selected Precedent Transactions were for the acquisition of a controlling stake, thus the pricing should include a control premium. However, the Group’s stake in the Bank is a minority one and therefore, no control premium can be commanded.

We have compared the valuation multiples implied by the Selling Price with the valuation multiples at which the Selected Precedent Transactions were completed. In particular, we have studied the P/B multiple and P/E multiple, the primary parameters used to value banks on a transaction multiples basis.

Table 6 in the following page sets out the valuation multiples at which the Selected Precedent Transactions were done.

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**Table 6 — Selected Precedent Transactions**

**PRECEDENT TRANSACTIONS**

Target	Acquiror	Announcement Date	Deal Value (HK\$ m)	Shareholding Acquired %	Valuation Multiples	
					P/B (x) <sup>1</sup>	P/E (Historical) (x) <sup>2</sup>
<b>Chong Hing Bank Limited</b>	<b>COSCO (Hong Kong) Group</b>	<b>24-Aug-07</b>	<b>2,088</b>	<b>20.0%</b>	<b>1.68</b>	<b>20.69</b>
CITIC International Financial Holdings	Banco Bilbao Vizcaya Argentaria, S.A.	22-Nov-06	4,872	15.2%	2.02	16.89
Bank of America (Asia) Ltd	China Construction Bank Corp	24-Aug-06	9,710	100.0%	1.32	18.08
Asia Commercial Bank Ltd	Public Bank/JCG Holdings Ltd	14-Feb-06	4,500	100.0%	2.50	42.91
Wing Lung Bank Ltd	Wu Jieh Yee Co Ltd	2-Apr-04	1,231	10.0%	1.43	14.33
International Bank of Asia Ltd	Fubon Financial Holding Co	8-Sep-03	3,239	75.1%	1.15	19.14
Fortis Bank Asia HK	Industrial and Commercial Bank of China (Asia) Ltd	31-Dec-03	2,424	100.0%	1.18	24.56
Chekiang First Bank Ltd	Wing Hang Bank Ltd	5-Jul-03	4,800	100.0%	1.22	23.17
HKCB Holdings Ltd	CITIC Ka Wah Bank Limited	1-Nov-01	4,200	100.0%	1.26	41.87
<b>Max</b>					<b>2.50</b>	<b>42.91</b>
<b>Average</b>					<b>1.51</b>	<b>25.12</b>
<b>Median</b>					<b>1.29</b>	<b>21.15</b>
<b>Min</b>					<b>1.15</b>	<b>14.33</b>

*Source:* Thomson ONE Banker, company announcements, company latest published annual reports, company financial results announcements

*Notes:*

1. P/B multiple is calculated based on the target's latest available financial results as at date of announcement of transaction
2. P/E (Historical) multiple is calculated based on the target's latest available full year financial results as at date of announcement of transaction



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Table 7 sets out the premium/(discount) of the Bank's valuation as implied by the Selling Price over/ to the valuation multiples at which Selected Precedent Transactions were completed.

**Table 7 — Premium/(discount) of valuation as implied by Selling Price over/to valuation multiples at which Selected Precedent Transactions were completed**

	P/B Multiple of 1.68 times		P/E (Historical) Multiple of 20.69 times	
	Selected Comparable Banks' Trading Range (x)	Premium/ (discount) of valuation implied by Selling Price	Selected Comparable Banks' Trading Range (x)	Premium/ (discount) of valuation implied by Selling Price
<b>High</b>	2.50	(32.8)%	42.91	(51.8)%
<b>Average</b>	1.51	(11.3)%	25.12	(17.6)%
<b>Low</b>	1.15	46.7%	14.33	44.4%

The Selling Price of HK\$24.00 represents an implied P/B multiple of 1.68 times. We note from Table 7 that this is within the Selected Precedent Transactions' transacted P/B multiple range of 1.15 times to 2.50 times. We also note that the implied P/B multiple of 1.68 times represents a 11.3% premium over the Selected Precedent Transactions' average transacted P/B multiple of 1.51 times.

The Selling Price of HK\$24.00 represents an implied P/E multiple of 20.69 times. We note from Table 7 that this is within the Selected Precedent Transactions' transacted P/E multiple range of 14.33 times to 42.91 times. We also note that the implied P/E multiple of 20.69 times represents a 17.6% discount to the Selected Precedent Transactions' average transacted at P/E multiple of 25.12 times.

Consideration of transactions involving acquisitions of controlling stakes of companies may include control premium. Therefore, valuation of those acquisitions may be higher than the valuations of acquisitions of minority stakes of companies. However, we note that the transaction P/B and P/E ratios of a recent transaction between China Construction Bank Corp and Bank of America (Asia) Ltd, where 100% of the equity interest was acquired by China Construction Bank Corp are lower than the P/B and P/E ratios as implied by the Selling Price of the Disposal even with a control premium.

As for the recent transaction between Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA") and CITIC International Financial Holdings ("CIFH") in November 2006, the P/B ratio was higher than the P/B ratio as implied by the Selling Price. We note that the market capitalisation of CIFH was HK\$34 billion as at the Latest Practicable Date, four times higher than that of the Bank. Its scale of operations is also much larger than the Bank. Apart from the basic retail and commercial banking business, CIFH is engaged in a broad spectrum of other non-banking financial

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businesses, including investment management and advisory, asset management and direct investments. In addition, CIFH holds a 15% strategic stake in China CITIC Bank Corporation Limited, the seventh largest commercial bank in the PRC. Hence, the acquisition could provide BBVA with exposure to the fast-growing PRC market.

### 8. Other considerations

#### Original purchase price

The Company paid an average purchase price of HK\$20.03 per Bank Share for its 20% stake in the Bank in 1997. The Selling Price of HK\$24.00 is 19.8% higher than its original purchase price. The Company will stand to gain HK\$3.97 for each Bank Share.

#### Investment returns

From the Company's investment in the Bank in 1997 to present, the Company has received dividend totaling HK\$444 million for the past ten years, which represents an average annual dividend per share of approximately HK\$0.51. Based on the Company's average purchase price of HK\$20.03 per Bank Share, the internal rate of return for the Disposal is approximately 3.8% per annum.

### 9. Financial effects of the Disposal on the Company

#### Net profit

The profit attributable to the 20% shareholding interest in the Bank as reflected in the audited financial statements of the Group for the year ended 31 December 2006 amounted to approximately US\$12.8 million (equivalent to approximately HK\$99.8 million), representing approximately 4.3% of the Group's profit after taxation for the year. The profit attributable to the 20% shareholding interest in the Bank will cease to be equity accounted for in the financial results of the Group following Completion.

Furthermore, the Directors expect that the Group will realise an estimated gain of approximately US\$89.9 million (equivalent to approximately HK\$701.2 million) from the Disposal. The estimated gain on the Disposal is calculated with reference to the Consideration and the Group's share of net assets of the 20% shareholding interest of the Bank as at 30 June 2007 as reflected in the unaudited consolidated financial statements of the Group for the six months ended 30 June 2007. The actual gain on the Disposal will be subject to change as the amount will be calculated based on the Group's share of net assets of the Bank as of the date of Completion.

#### Net asset

Upon Completion, the Group's interests in associated companies will decrease by approximately US\$177.8 million (equivalent to approximately HK\$1,386.8 million) (being the 20% share of net assets value of the Bank as at 30 June 2007), which accounted for approximately 5.1% of the Group's consolidated total assets as at 30 June 2007. The Company will receive the Consideration of HK\$2,088 million in cash.

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Taking into account of the above, it is estimated that the total assets and net assets of the Group will be increased by approximately US\$89.9 million (equivalent to approximately HK\$701.2 million). The Disposal should have no significant effect on the Group's liabilities.

### Cash position

The Consideration of HK\$2,088 million for the Disposal will be settled in cash following the completion of the Sale and Purchase Agreement. According to the Company's audited consolidated financial statements for the year ended 31 December 2006, the Company had US\$224,510,000 in bank balances and cash, or equivalent to HK\$1,751,178,000 as at 31 December 2006. The Consideration of HK\$2,088 million represents 119.0% of the Company's bank balances and cash as at 31 December 2006. Therefore, it is expected to have a significant increase in the cash position of the Company upon Completion.

### RECOMMENDATION

In assessing the fairness and reasonableness of the terms of the Disposal, we have taken consideration of the principal factors and reasons set forth in this letter, in particular the following:-

- taking into account the Consideration and the dividend received by the Group over the years, the internal rate of return for the Disposal is 3.8% per annum. This return is lower than the Company's ROA of 10.0% and ROE of 14.4% for the year ended 31 December 2006;
- The Disposal provides an opportunity for the Group to divest its non-core investment and the Consideration from the Disposal will be used for investments in its core businesses, which might be able to generate returns higher than the investment return from the Bank;
- save for the five trading days since IPO of the Bank Shares, the Selling Price of HK\$24.00 is higher than the price at which the Bank Shares have traded since IPO and up to the Latest Practicable Date. In addition, the Selling Price represents a substantial premium of 25.4% to 138.8% over the average closing price of the various observation periods set out in Table 3;
- the average daily trading volume of the Bank Shares since IPO and up to the Latest Practicable Date has been relatively low. Therefore, we are of the view that the Disposal provides an opportunity for the Company to realise its investment in the Bank in full at the Selling Price;
- the P/B and P/E (historical) multiples implied by the Selling Price are within the trading range of the Selected Comparable Banks. Since the ROA and ROE of the Bank was amongst the lowest of the Selected Comparable Banks. In view of the low ROA and ROE, the P/B and P/E as implied by the Selling Price should be compared against the low end of the range which were 1.27 and 11.45 respectively. The P/B and P/E as implied by the Selling Price was 32.1% and 80.7% higher than the low end of the range respectively; and

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- the P/B and P/E (historical) multiples implied by the Selling Price are within the range of those valuation multiples of the Selected Precedent Transactions. Furthermore, the P/B multiple of 1.68 times implied by the Selling Price is at a 11.3% premium over to the Selected Precedent Transactions' average transacted P/B multiple while the P/E (historical) multiple of 20.69 times implied by the Selling Price is at a 17.6% discount to the Selected Precedent Transactions' average transacted P/E (historical) multiple. We are of the view that the slight discount in terms of P/E (historical) multiple is justified given that the Company is disposing a 20% stake which will not provide the Purchaser with control of the Bank. Save for two transactions, all Selected Comparable Transactions involve disposal of a majority or 100% stake in the target. Transactions which involve disposal of a controlling stake will normally command a higher selling price given the control premium involved. In addition, the P/E (historical) multiple implied by the Selling Price is higher than the P/E (historical) multiple of the two transactions which involved disposal of a minority stake in the target.

**Based on the above, we are of the opinion that the terms of the Disposal are fair and reasonable, and the Disposal is in the interests of the Company and its shareholders as a whole, based on conditions prevailing as at the Latest Practicable Date. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Disposal.**

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

**George Hongchoy**  
*Managing Director*

**1. INDEBTEDNESS OF THE GROUP**

As at the close of business on 31 July 2007, being the most recent practicable date for the purpose of ascertaining certain information relating to this indebtedness statement, the Group had outstanding indebtedness of approximately US\$699.9 million, comprising notes payable of US\$286.3 million, long-term bank loans of US\$407.7 million and short-term bank loans of US\$5.9 million.

**Borrowings**

The following table illustrates the Group's bank borrowings and notes as at 31 July 2007:

	<i>US\$ million</i>
Current:	
Short-term bank loans	5.9
Current portion of long-term bank loans	177.7
Non-current:	
Long-term bank loans, net of current portion	230.0
Notes payable	<u>286.3</u>
Total	<u><u>699.9</u></u>

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

Out of the total amount of the Group's bank borrowings and notes as at 31 July 2007, bank loans of US\$0.5 million were secured by certain of the Group's land use rights.

As at 31 July 2007, bank loans and notes with an aggregate amount of US\$639.5 million are guaranteed by the Company.

**Contingent liabilities**

As at 31 July 2007, the Group's contingent liabilities mainly comprised a guarantee for an associate's utilised banking facilities of approximately US\$25.2 million.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 31 July 2007, the Group did not have any outstanding debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowings including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages, charges, guarantees or other material contingent liabilities.

## **2. FINANCIAL AND TRADING PROSPECTS**

The Group is one of the world's leading container terminal operators and container leasing companies listed in Hong Kong. In pursuit of the Group's overall strategy to maintain and enhance its position as the global industry leader, the Group has a vision to transform its business model to become a global port operator. Through further investment by taking majority stakes, the Group intends to focus on ports as the principal earnings driver and improve its business model by converting container leasing into an asset light business. In this connection, the Group is expanding its market share by rebalancing the ownership and management of container leasing to improve its risk-reward profile and to provide a stable yield.

Meanwhile, the Group continues to expand its container leasing fleets, optimise the operating models of container leasing and management, as well as strengthen marketing and cost control to expand the profit margin. The Group will also seize opportunity arising from continued economic development in China. In the first half of 2007, with the continuous robust growth in China's import and export trade and the global shipping market, the throughput of the Group's container terminals reached 18,417,429 TEUs (2006: 14,974,748 TEUs), a rise of 23.0% over the corresponding period last year. Accordingly, the net profit from container terminal operations for the six months ended 30 June 2007 amounted to US\$62,010,000 (2006: US\$44,901,000), representing a significant increase of 38.1% when compared with the same period last year.

By timely adjusting the Group's existing businesses and capital structure, the Group will concentrate resources on advantageous businesses and investments, as well as make more effort to gear up the development of core businesses. The Disposal is supportive of the Group's overall strategy and the cash consideration from the Disposal will be used for the investments in its core businesses. The Group's objective is to create and deliver long-term and sustainable value for its shareholders by building a larger platform for future growth based on the Group's strengthened business model.

## **3. WORKING CAPITAL**

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

## **4. MATERIAL ADVERSE CHANGE**

The Directors confirm that to the best of their knowledge and belief, as at the Latest Practicable Date, there was no 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.

**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 Issuers were as follows:

**(i) Long position in the Shares**

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

*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), (4)
Mr. CHEN Hongsheng	13.75	1,000,000	0.045%	3.12.2004 — 2.12.2014	(2), (4)
Mr. LI Jianhong	13.75	1,000,000	0.045%	2.12.2004 — 1.12.2014	(2), (4)
Ms. SUN Yueying	13.75	1,000,000	0.045%	3.12.2004 — 2.12.2014	(2), (4)
Mr. XU Minjie	19.30	800,000	0.036%	19.4.2007 — 18.4.2017	(3), (4)
Dr. SUN Jiakang	13.75	700,000	0.031%	1.12.2004 — 30.11.2014	(2), (4)
Mr. WONG Tin Yau, Kelvin	9.54	800,000	0.036%	28.10.2003 — 27.10.2013	(1), (4)
	13.75	1,000,000	0.045%	2.12.2004 — 1.12.2014	(2), (4)
	19.30	500,000	0.022%	18.4.2007 — 17.4.2017	(3), (4)
Mr. WANG Zhi	13.75	600,000	0.027%	29.11.2004 — 28.11.2014	(2), (4)
	19.30	500,000	0.022%	18.4.2007 — 17.4.2017	(3), (4)
Mr. QIN Fuyan	13.75	200,000	0.009%	29.11.2004 — 28.11.2014	(2), (4)
	19.30	500,000	0.022%	19.4.2007 — 18.4.2017	(3), (4)

*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) The share options were granted during the period from 18 April 2007 to 19 April 2007 under the 2003 Share Option Scheme at an exercise price of HK\$19.30 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 18 April 2007 to 19 April 2007.
- (4) These share 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	Percentage of total issued H Share capital of the associated corporation as at the Latest Practicable Date	
				Number of H Shares held as at the Latest Practicable Date	Latest Practicable Date
China COSCO Holdings Company Limited	Mr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	573,875	0.022%

Name of associated corporation	Name of Director	Capacity	Nature of interest	Percentage of total issued share capital of the associated corporation as at the Latest Practicable Date	
				Number of shares held as at the Latest Practicable Date	Latest Practicable Date
COSCO Corporation (Singapore) Limited	Dr. WEI Jiafu	Beneficial owner	Personal	1,900,000	0.085%
	Mr. LI Jianhong	Beneficial owner	Personal	1,300,000	0.058%
	Ms. SUN Yueying	Beneficial owner	Personal	1,400,000	0.063%

*Note:*

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	0.122%	(1), (3)
		1.37	1,200,000	0.082%	(2), (3)
	Mr. LI Jianhong	0.57	1,800,000	0.122%	(1), (3)
		1.37	1,200,000	0.082%	(2), (3)
	Dr. SUN Jiakang	0.57	600,000	0.041%	(1), (3)
		1.37	800,000	0.054%	(2), (3)
	Mr. WONG Tin Yau, Kelvin	0.57	800,000	0.054%	(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 (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
COSCO Corporation (Singapore) Limited	Dr. WEI Jiafu	1.23	1,100,000	0.049%
	Mr. LI Jianhong	1.23	700,000	0.031%
	Ms. SUN Yueying	1.23	700,000	0.031%

*Notes:*

- (1) The share options were granted by COSCO Corporation (Singapore) Limited, an associated corporation of the Company and a company listed on the Singapore Exchange Securities Trading Limited, on 21 February 2006 and are exercisable at any time between 21 February 2007 and 20 February 2011.
- (2) These options represent personal interest held by the relevant Director as beneficial owner.

(C) *China COSCO Holdings Company Limited*

Name of associated corporation	Name of Director	Exercise price (HK\$)	Number of units of share appreciation rights outstanding as at the Latest Practicable Date	Percentage of total issued share capital of the associated corporation as at the Latest Practicable Date	Note
China COSCO Holdings Company Limited	Dr. WEI Jiafu	3.195	900,000	0.035%	(1), (4)
		3.588	900,000	0.035%	(2), (4)
		9.540	880,000	0.034%	(3), (4)
	Mr. CHEN Hongsheng	3.195	700,000	0.027%	(1), (4)
		3.588	700,000	0.027%	(2), (4)
		9.540	680,000	0.026%	(3), (4)
	Mr. LI Jianhong	3.195	600,000	0.023%	(1), (4)
		3.588	600,000	0.023%	(2), (4)
		9.540	580,000	0.022%	(3), (4)
	Mr. XU Lirong	3.195	500,000	0.019%	(1), (4)
		3.588	500,000	0.019%	(2), (4)
		9.540	580,000	0.022%	(3), (4)
	Ms. SUN Yueying	3.195	600,000	0.023%	(1), (4)
		3.588	600,000	0.023%	(2), (4)
		9.540	580,000	0.022%	(3), (4)
	Mr. XU Minjie	3.195	100,000	0.004%	(1), (4)
		3.588	90,000	0.003%	(2), (4)
	Dr. SUN Jiakang	3.195	500,000	0.019%	(1), (4)
		3.588	500,000	0.019%	(2), (4)
		9.540	480,000	0.019%	(3), (4)

*Notes:*

- (1) The share appreciation rights were granted by China COSCO Holdings Company Limited (“China COSCO”) (incorporated on 3 March 2005), an associated corporation of the Company and a company listed on the Stock Exchange and the Shanghai Stock Exchange in units with each unit representing one H share of China COSCO, on 16 December 2005 pursuant to the share appreciation rights plan adopted by China COSCO (the “Plan”). Under the Plan, no shares will be issued. The share appreciation rights can be exercised at HK\$3.195 per unit 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 its terms at any time between 5 October 2008 and 4 October 2016.

- (3) The share appreciation rights were granted by China COSCO in units with each unit representing one H share of China COSCO on 4 June 2007 pursuant to the Plan. Under the Plan, no shares will be issued. The share appreciation rights can be exercised at HK\$9.540 per unit according to its terms at any time between 4 June 2009 and 3 June 2017.
- (4) 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 interest	Number of Shares/Percentage of total issued share capital as at the Latest Practicable Date			
			Long positions	%	Short positions	%
COSCO Investments	Beneficial owner	Beneficial interest	200,120,000	8.93	-	-
COSCO Pacific Investment	Beneficial owner and interest of controlled corporation	Beneficial interest and corporate interest	1,144,166,411	51.04	-	-
China COSCO	Interest of controlled corporation	Corporate interest	1,144,166,411	51.04	-	-
COSCO	Interest of controlled corporation	Corporate interest	1,144,166,411	51.04	-	-

*Notes:*

- (1) The 1,144,166,411 Shares relate to the same batch of shares in the Company. COSCO Investments is a wholly-owned subsidiary of COSCO Pacific Investment. Accordingly, the 200,120,000 Shares 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 and it itself holds 944,046,411 Shares beneficially. Accordingly, COSCO Pacific Investment's interests in relation to the 1,144,166,411 Shares are also recorded as China COSCO's interests in the Company. COSCO holds 51.07% 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 held by COSCO Pacific Investment.

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

*COSCO*

<b>Name of Director</b>	<b>Posts held in COSCO</b>
Dr. WEI Jiafu	President and CEO
Mr. CHEN Hongsheng	Executive Vice President
Mr. LI Jianhong	Executive Vice President
Mr. XU Lirong	Executive Vice President
Ms. SUN Yueying	Chief Financial Officer

*China COSCO*

<b>Name of Director</b>	<b>Posts held in China COSCO</b>
Dr. WEI Jiafu	Chairman and CEO
Mr. CHEN Hongsheng	Director and President
Mr. LI Jianhong	Director
Mr. XU Lirong	Director
Ms. SUN Yueying	Director
Dr. SUN Jiakang	Executive Vice President
Mr. XU Minjie	Executive Vice President

*COSCO Pacific Investment*

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

*COSCO Investments*

<b>Name of Director</b>	<b>Posts held in COSCO Investments</b>
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 Oceagate 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%
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 months' 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 date to which the latest published audited financial statements 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 or disposed of by or leased to any member of the Group.
- (f) Save as disclosed herein, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which is significant in relation to the business of the Group.

#### **4. LITIGATION**

So far as the Directors are aware, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or arbitration of material importance was pending or threatened against the Company or any of its subsidiaries as at the Latest Practicable Date.

#### **5. MATERIAL CONTRACTS**

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

- (a) On 16 December 2005, COSCO Ports (Nansha) Limited and Guangzhou Port Container Comprehensive Development Co., Ltd. entered into a joint venture agreement and articles of associations for the establishment of Guangzhou South China Oceangate Container Terminal Company Limited, a sino-foreign equity joint venture company incorporated in the PRC, in the equity ratio of 59:41 with total investment amount of RMB4,009,060,000 and registered capital of RMB1,403,171,000 to carry out the construction and operation of a container terminal at Nansha Port Phase II in the Guangdong Port of the PRC.
- (b) On 25 May 2006, the Company issued 424,106,507 put options (the “Put Options”) to the holders of tradable A-shares of China International Marine Containers (Group) Co., Ltd. (“CIMC”) (“CIMC Tradable A-Share Shareholders”) in connection with the conversion of the CIMC non-tradable shares held by the Group into publicly tradable A-Share(s) of CIMC (“CIMC Tradable A-Shares”) which are publicly tradable on the Shenzhen Stock Exchange. With the Put Options, the CIMC Tradable A-Share Shareholders are entitled to sell certain portion of their CIMC Tradable A-Shares to the Group at the exercise price of RMB10 (in cash, subject to adjustment) per share at the end of the 18-month period commencing on the date of listing of the Put Options on the Shenzhen Stock Exchange. If all of the Put Options are exercised, the Company will have to pay a total sum of approximately RMB4,241.1

million in cash (the “Settlement Consideration”) to acquire the relevant CIMC Tradable A-Shares. Prior to the issue of the Put Options, the Company entered into an irrevocable guarantee agreement with Bank of China Limited (“BOC”) on 20 April 2006 pursuant to which BOC agreed to be the guarantor for the payment of the Settlement Consideration.

- (c) On 20 June 2006 (a) Florens Container Inc., Florens Container, Inc. (2003), Florens Container, Inc. (2004) and Florens Container, Inc. (2005) (the “Sellers”), each an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with “AD ACTA” 634. Vermögensverwaltungsgesellschaft MBH (the “Purchaser”), pursuant to which, subject to the conditions the Sellers would sell and the Purchaser would purchase certain of the marine containers owned and operated by the Sellers together with the rights of lessor under the relevant customer leases relating to such containers (to the extent relating to such containers) (the “Sold Assets”) and (b) the Florens Container Services (USA), Ltd., Florens Management Services (Macao Commercial Offshore) Limited and Florens Container Services Company Limited (the “Managers”), each an indirect wholly-owned subsidiary of the Company, entered into the administrative services agreements with the Purchaser for the provision of administrative and management services in connection with the Sold Assets from and after completion, under which the Sellers and the Managers would receive an aggregate amount of approximately US\$869.4 million on the completion date.
- (d) On 17 July 2006 COSCO Pacific (China) Investments Co., Ltd. (“COSCO Pacific (China)”), a wholly-owned subsidiary of the Company, entered into an equity interest transfer agreement with CIMC Holdings (B.V.I.) Limited (“CIMC BVI”) pursuant to which COSCO Pacific (China) has agreed to transfer a 20% equity interest in Shanghai CIMC Far East Container Co. Ltd. (“Shanghai CIMC”), representing the entire interest held by COSCO Pacific (China) in Shanghai CIMC, to CIMC BVI (the “Equity Interest Transfer”). The consideration for the Equity Interest Transfer was US\$6,252,300 (approximately HK\$48,518,000).

## 6. 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, CCH and the Group had 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.

## **7. EXPERT**

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

<b>Name</b>	<b>Qualifications</b>
DBS	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.

As at the Latest Practicable Date, DBS did 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.

As at the Latest Practicable Date, DBS did 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 financial statements 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 Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (c) The General Counsel and Company Secretary of the Company is Ms. HUNG Man, Michelle, a practicing 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 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 the date of the SGM (and any adjournment thereof):

- (a) the memorandum of association and bye-laws of the Company;
- (b) the service agreements and the employment contract (as the case may be) set out under the paragraph headed "Directors' interests in contracts" in this Appendix;
- (c) the contracts referred to in the section headed "Material contracts" in this Appendix;
- (d) the annual reports of the Company for each of the two years ended 31 December 2005 and 2006;
- (e) the circular of the Company to the Shareholders dated 16 April 2007 regarding certain continuing connected transactions;
- (f) the letter from the Independent Board Committee dated 14 September 2007, the text of which is set out in this circular;
- (g) the letter from DBS dated 14 September 2007, the text of which is set out in this circular;
- (h) the written consent from DBS to the issue of this circular with the inclusion of its letter and references to its name herein dated 14 September 2007; and
- (i) the Sale and Purchase Agreement.

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## NOTICE OF SPECIAL GENERAL MEETING

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### **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, 11 October 2007, at 2:30 p.m. to consider, and, if thought fit, pass the following resolution (with or without modifications) as an ordinary resolution of the Company:

#### **ORDINARY RESOLUTION**

**"THAT**

- (a) the agreement dated 24 August 2007 between the Company and COSCO (Hong Kong) Group Limited for the sale and purchase of the entire issued share capital in and the outstanding loan due from Bauhinia 97 Limited (the "Agreement") (copy of which is tabled at the meeting and marked "A" and initialed by the chairman of the meeting for identification purpose) and all the transactions contemplated thereby be and are hereby approved;
- (b) the entering into of the Agreement by the Company be and is hereby approved, confirmed and ratified; and
- (c) the directors of the Company be and are hereby authorised to do such acts and/or execute all such documents incidental to, ancillary to or in connection with matters contemplated in or relating to the Agreement as they may in their absolute discretion consider necessary, desirable or expedient to give effect to the Agreement and the implementation of all transactions contemplated thereunder."

By Order of the Board

**HUNG Man**

*General Counsel & Company Secretary*

Hong Kong, 14 September 2007

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## NOTICE OF SPECIAL GENERAL MEETING

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**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 resolution 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) A member of the Company entitled to attend and vote at the meeting is entitled to appoint one proxy or more proxies to attend and vote in his stead in accordance with the Bye-laws of the Company. 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 of attorney 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. The proxy form for use at the meeting is sent to shareholders together with the circular dated 14 September 2007 and is also published on the website of The Stock Exchange of Hong Kong Limited at [www.hkex.com.hk](http://www.hkex.com.hk).
- (4) In the case of joint registered holders of any share in the capital of the Company, any one of such joint holders may vote at the meeting, either personally or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint registered holders is present at the meeting, either personally or by proxy, that shall be acceptable 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) Completion and return of the proxy form will not preclude members from attending and voting at the SGM or any adjourned meeting if they so wish. If a member attends the SGM after having deposited the proxy form, his proxy form will be deemed to have been revoked.
- (6) As at the date of this notice, members of the Board are Dr. WEI Jiafu<sup>2</sup> (Chairman), Mr. CHEN Hongsheng<sup>1</sup>, Mr. LI Jianhong<sup>1</sup>, Mr. XU Lirong<sup>2</sup>, Ms. SUN Yueying<sup>1</sup>, Mr. XU Minjie<sup>1</sup> (Vice Chairman and Managing Director), Dr. SUN Jiakang<sup>2</sup>, Mr. WONG Tin Yau, Kelvin<sup>1</sup>, Mr. WANG Zhi<sup>1</sup>, Mr. QIN Fuyan<sup>1</sup>, Dr. LI Kwok Po, David<sup>3</sup>, Mr. LIU Lit Man<sup>3</sup>, Mr. CHOW Kwong Fai, Edward<sup>3</sup> and Mr. Timothy George FRESHWATER<sup>3</sup>.

<sup>1</sup> Executive Director

<sup>2</sup> Non-executive Director

<sup>3</sup> Independent Non-executive Director