
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

DISCLOSEABLE TRANSACTION
SALE AND LEASE BACK OF MARINE CONTAINERS

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
Introduction	4
The Equipment Procurement Agreement	5
The Lease Agreement	7
The Guarantee	8
Reasons for the Transaction	9
Financial Effects of the Transaction	9
Discloseable Transaction	10
General	10
Additional Information	10
Appendix – General Information	11

DEFINITIONS

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

“Bank”	The Commonwealth Bank of Australia;
“Board”	the board of Directors of the Company;
“CBA USD Investments”	CBA USD Investments Pty Limited, a company established under the laws of Australia;
“Closing Date”	8 July 2008;
“Commencement Date”	for each marine container to be leased, means the later of: <ol style="list-style-type: none">1. the date on which title to that marine container passes to CBA USD Investments in accordance with the Equipment Procurement Agreement; and2. the date on which each condition precedent to the leasing of that marine container under the Lease Agreement has been satisfied or waived by CBA USD Investments in respect of that marine container;
“Company”	COSCO Pacific Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the main board of the Stock Exchange;
“Director(s)”	the director(s) of the Company;
“Equipment Procurement Agreement”	the equipment procurement agreement entered into between CBA USD Investments and Florens on 2 July 2008;
“Facility”	a loan facility made available by the Bank to CBA USD Investments under the Loan Agreement, which amount should not exceed Facility Limit;
“Facility Limit”	US\$250.0 million (equivalent to approximately HK\$1,950.0 million);
“Florens”	Florens Container Corporation S.A., a company established under the laws of the Republic of Panama and an indirect wholly-owned subsidiary of the Company;
“Guarantee”	the deed of guarantee entered into by the Company in favour of CBA USD Investments on 2 July 2008;

DEFINITIONS

“Group”	the Company and its subsidiaries;
“HK\$” or “HK Dollars”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Third Party(ies)”	third parties who is/are independent of the Company and connected persons (as defined in the Listing Rules) of the Company;
“Latest Practicable Date”	17 July 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information referred to in this circular
“Lease Agreement”	the lease agreement entered into between CBA USD Investments and Florens on 2 July 2008;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Loan Agreement”	the loan agreement entered into between CBA USD Investments and the Bank on 2 July 2008;
“Rent”	in relation to each lease of marine containers, the amount set out in the acceptance certificate for that lease, which shall be paid on a quarterly basis;
“Request Notice”	in respect of each lease of marine containers, the notice given by Florens to CBA USD Investments in accordance with the Equipment Procurement Agreement and the Lease Agreement;
“Sale Assets”	the marine containers owned and operated by Florens which to be transferred under the Equipment Procurement Agreement from Florens to CBA USD Investments on or about the Closing Date, with an aggregate value of up to the Facility Limit;
“SFO”	The Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended and supplemented from time to time;
“Shareholder(s)”	holder(s) of the share(s) in the capital of the Company;
“Share(s)”	share(s) in the capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

DEFINITIONS

“US\$” or “US Dollars” U.S. dollars, the lawful currency of the United States of America; and

“%” per cent.

In this circular, US\$ has been converted to HK\$ at the rate of HK\$7.8 = US\$1 for illustration purpose only. No representation is made that any amounts in HK\$ or US\$ have been, could have been or could be converted at the above rate or any other rates or at all.

LETTER FROM THE BOARD



COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

Directors:

Mr. CHEN Hongsheng² (*Chairman*)
Mr. LI Jianhong¹
Mr. XU Lirong²
Ms. SUN Yueying¹
Mr. XU Minjie¹ (*Vice Chairman & Managing Director*)
Dr. SUN Jiakang²
Dr. WONG Tin Yau, Kelvin¹
Mr. WANG Zhi¹
Mr. YIN Weiyu¹
Dr. LI Kwok Po, David³
Mr. CHOW Kwong Fai, Edward³
Mr. Timothy George FRESHWATER³

Registered office:

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Principal Place of Business:

49th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

General Counsel & Company Secretary:

Ms. HUNG Man, Michelle

¹ Executive Director

² Non-executive Director

³ Independent Non-executive Director

23 July 2008

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION SALE AND LEASE BACK OF MARINE CONTAINERS

INTRODUCTION

The Company announced on 2 July 2008 that Florens and CBA USD Investments entered into, amongst other documents, the Equipment Procurement Agreement and the Lease Agreement on 2 July 2008. Pursuant to the Equipment Procurement Agreement, Florens has agreed on or about the Closing Date to transfer to CBA USD Investments legal and equitable ownership of and

LETTER FROM THE BOARD

title to certain marine containers owned by Florens. Pursuant to the Equipment Procurement Agreement and the Lease Agreement, Florens shall lease back such marine containers from CBA USD Investments.

It is a condition of the Lease Agreement that the aggregate price of the marine containers to be purchased by CBA USD Investments under the Equipment Procurement Agreement does not exceed the Facility Limit.

As a condition of the Lease Agreement, the Company entered into the Guarantee in favour of CBA USD Investments under which the Company has guaranteed to CBA USD Investments the due and punctual payment of all outstanding sums owed by Florens and all obligations of Florens under, amongst other documents, the Lease Agreement.

The terms of the Equipment Procurement Agreement, the Lease Agreement and the Guarantee have been negotiated on an arm's length basis. The Board considers that the Equipment Procurement Agreement, the Lease Agreement and the Guarantee are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

As the applicable percentage ratio(s) (as defined in the Listing Rules) of the transaction under the Equipment Procurement Agreement and the Lease Agreement are more than 5% but less than 25%, the transaction constitutes a discloseable transaction of the Company under the Listing Rules. A circular in relation to the transaction will be dispatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

The purpose of this circular is to provide the Shareholders with further information in respect of the Equipment Procurement Agreement, the Lease Agreement and the Guarantee.

A. THE EQUIPMENT PROCUREMENT AGREEMENT

Date : 2 July 2008

Parties : 1. CBA USD Investments
2. Florens

Assets to be sold : Sale Assets, namely, marine containers to be transferred from Florens to CBA USD Investments on or about the Closing Date, with an aggregate value of up to the Facility Limit.

The net book value (cost less accumulated depreciation) of the Sale Assets as at 31 December 2007 and the estimated net book value (cost less accumulated depreciation) of the Sale Assets as at 30 June 2008 were approximately US\$246.8 million and US\$242.3 million, respectively.

LETTER FROM THE BOARD

The unaudited net profits (before and after taxation) attributable to the Sale Assets as at 8 July 2008 for the two years ended 31 December 2007 (as extracted from the management accounts of Florens) were as follows:

	For the year ended 31 December 2006 Approximately	For the year ended 31 December 2007 Approximately
Net profit before and after taxation	US\$0.3 million	US\$3.4 million

Nature of the Transaction : Pursuant to the Equipment Procurement Agreement, Florens has agreed to transfer to CBA USD Investments legal and equitable ownership of and title to the marine containers owned by Florens on or about the Closing Date.

Consideration and Payment Arrangements : The price payable by CBA USD Investments for the purchase of marine containers (the "Purchase Price") shall be agreed between Florens and CBA USD Investments on the basis of due diligence enquiries of the marine containers conducted by Australasian Asset Residual Management, a business name registered by the Bank in Australia, which is a party independent from Florens and a specialist in residual value risk management. It is estimated that the aggregate of the Purchase Price payable under the Equipment Procurement Agreement and other costs to be incurred by CBA USD Investments under the Lease Agreement is approximately US\$250.0 million and shall be paid by CBA USD Investments in immediately available funds.

Under the terms of the Equipment Procurement Agreement, the Purchase Price of the marine containers which CBA USD Investments may be required to purchase from Florens shall not exceed US\$250.0 million (equivalent to approximately HK\$1,950.0 million). Such maximum amount was determined and agreed by the parties having regard to the marine containers likely selected by Florens for this transaction and the limits of CBA USD Investments' investment allocation for such marine containers.

Payment of the Purchase Price of the marine containers by CBA USD Investments will be funded by the Facility given by the Bank to CBA USD Investments in accordance with the Loan Agreement.

LETTER FROM THE BOARD

- Delivery Terms : Pursuant to the Equipment Procurement Agreement, when Florens delivers a Request Notice, CBA USD Investments will calculate the Rent payable by Florens. Florens has no obligation to lease the relevant marine containers from CBA USD Investments if it does not agree with the Rent determined by CBA USD Investments. Upon Florens agreeing to the Rent determined by CBA USD Investments, Florens shall become irrevocably committed to lease the relevant marine containers from CBA USD Investments pursuant to the Lease Agreement. There will not be any physical delivery by Florens to CBA USD Investments of the marine containers sold to CBA USD Investments pursuant to the Equipment Procurement Agreement.
- Application of sale proceeds : The proceeds from the sale of the marine containers under the Equipment Procurement Agreement will be used as general working capital and/or for funding such investment projects as the Group may enter into in the future should suitable opportunities arise.

B. THE LEASE AGREEMENT

- Date : 2 July 2008
- Parties : 1. CBA USD Investments (Lessor)
2. Florens (Lessee)
- Nature of the Transaction : Pursuant to the Lease Agreement, CBA USD Investments has agreed to lease to Florens, and Florens has agreed to lease from CBA USD Investments, the marine containers purchased on the Closing Date by CBA USD Investments from Florens under the terms of the Equipment Procurement Agreement.
- Lease Term : Unless terminated earlier in accordance with the terms of the Lease Agreement, the lease of the marine containers shall commence on the Commencement Date and shall end on the fifth anniversary of the Commencement Date, subject to the Lease Extension Option.
- Lease Extension Option : CBA USD Investments has granted a lease extension option to Florens, which must be exercised by Florens at least six months but not more than eight months from the expiry date of the original term (the "Lease Extension Option"). If exercised, the lease term of all marine containers under the Lease Agreement will be extended for a further term of five years from the original expiry date.

LETTER FROM THE BOARD

Consideration and Payment Arrangements : Upon receipt of a Request Notice from Florens, CBA USD Investments will calculate the Rent payable by Florens, which shall be determined on the basis on a methodology negotiated on an arm's length basis and which Florens considers to be on normal commercial terms.

Florens must pay the Rent for the leased marine containers to CBA USD Investments on a quarterly basis during the term of lease for those marine containers. Late payment of Rent attracts interest.

Delivery Terms : As CBA USD Investments will not have physical possession of the marine containers purchased by it from Florens pursuant to the Equipment Procurement Agreement, CBA USD Investments will not be required to physically deliver such marine containers to Florens under the Lease Agreement.

Payment upon Expiry of the Term : Florens has no payment obligations upon the expiry at maturity of the Lease Agreement so long as it has complied with the relevant terms, and made all relevant payments, under the Lease Agreement.

C. THE GUARANTEE

Date : 2 July 2008

Parties : 1. The Company (Guarantor)
2. CBA USD Investments

Brief Description : As a condition of the Lease Agreement, the Company entered into the Guarantee in favour of CBA USD Investments under which the Company has guaranteed to CBA USD Investments the due and punctual payment of all outstanding sums owed by Florens and the due and punctual performance of all obligations of Florens under, amongst other documents, the Lease Agreement.

If any sums are not paid when due or are not paid in the manner or in the currency as the sums are required to be paid under the Lease Agreement, the Company must immediately on demand from CBA USD Investments pay to CBA USD Investments the outstanding sums in the same manner and currency as the outstanding sums are or were required to be paid under the Lease Agreement.

LETTER FROM THE BOARD

REASONS FOR THE TRANSACTION

The proceeds of sale of the marine containers under the Equipment Procurement Agreement are intended to be used as general working capital and/or for funding such investment projects as the Group may enter into in the future should suitable opportunities arise. The lease-back of the marine containers pursuant to the Lease Agreement allows the Group to retain commercial control of the marine containers and hence to sublease them to customers and generate and retain the earnings generated from such subleasing over the period of lease.

Based on the proceed of the Purchase Price of approximately US\$250.0 million receivable under the Equipment Procurement Agreement and the estimated net book value (cost less accumulated depreciation) of the Sale Assets as of 30 June 2008 of approximately US\$242.3 million and on the assumption that there was no significant change in the estimated net book value of the Sale Assets as at the Closing Date, the Group is expected to realise an estimated gain of approximately US\$4.2 million (after taking into account taxes and direct expenses of approximately US\$3.5 million) from the transfer under the Equipment Procurement Agreement which is expected to be accounted for in the consolidated financial statements of the Company for the year ending 31 December 2008.

The terms of the Equipment Procurement Agreement, the Lease Agreement and the Guarantee have been negotiated on an arm's length basis. The Board considers that the Equipment Procurement Agreement, the Lease Agreement and the Guarantee are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE TRANSACTION

I. Earnings

By reference to the financial statements of Florens, the unaudited net profit after taxation attributable to the Sale Assets for the year ended 31 December 2007 amounted to approximately US\$3.4 million (2006: US\$0.3 million), representing approximately 0.78% (2006: 0.10%) of the Group's profit after taxation for the year ended 31 December 2007.

Furthermore, the Group is expected to realise an estimated gain of approximately US\$4.2 million (after taking into account taxes and direct expenses) from the transfer under the Equipment Procurement Agreement.

II. Assets and Liabilities

Upon the completion of the transaction, the Group's property, plant and equipment will be decreased by approximately US\$242.3 million (being the aggregate net book value of the Sale Assets), which accounted for approximately 6.26% of the Group's consolidated total assets as at 31 December 2007. At the same time, the Group will receive in cash the Purchase Price for the Sale Assets of approximately US\$250.0 million which will be used as general working capital and/or for funding such investment projects as the Group may enter into in the future should suitable opportunities arise.

LETTER FROM THE BOARD

Taking into account the proceeds of the Purchase Price of approximately US\$250.0 million receivable under the Equipment Procurement Agreement and the estimated net book value (cost less accumulated depreciation) of the Sale Assets as of 30 June 2008 of approximately US\$242.3 million and on the assumption that there was no significant change in the estimated net book value of the Sale Assets as at the Closing Date, and after taking into account taxes and direct expenses of approximately US\$3.4 million which has been paid, the total assets of the Group will be increased by approximately US\$4.3 million. On the other hand, the total liabilities of the Group will also be increased by approximately US\$0.1 million representing the unpaid direct expenses of approximately US\$0.1 million that has been recorded in accrual.

DISCLOSEABLE TRANSACTION

As the applicable percentage ratio(s) (as defined in the Listing Rules) of the transaction under the Equipment Procurement Agreement and the Lease Agreement, pursuant to Rule 14.22 of the Listing Rules, are more than 5% but less than 25%, the transaction constitutes a discloseable transaction of the Company under the Listing Rules. A circular in relation to the transaction will be dispatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

GENERAL

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

Florens is an indirect wholly-owned subsidiary of the Company that is engaged principally in the business of container leasing.

CBA USD Investments is directly or indirectly wholly-owned by the Bank, which is one of Australia's leading providers of integrated financial services including retail, business and institutional banking, funds management, superannuation, insurance, investment and broking services. The Bank is one of the largest listed companies on the Australian Securities Exchange and is included in the Morgan Stanley Capital Global Index. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, CBA USD Investments and its ultimate beneficial owner(s) are Independent Third Parties.

ADDITIONAL INFORMATION

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

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

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) As at the Latest Practicable Date, the interests and short positions 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 (a) 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 (b) entered in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules, were as follows:

(i) Long position in the Shares

<u>Name of Director</u>	<u>Capacity</u>	<u>Nature of interests</u>	<u>Number of Shares held</u>	<u>Percentage of total issued share capital as at the Latest Practicable Date</u>
Dr. LI Kwok Po, David	Beneficial Owner	Personal	258,000	0.011%
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
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)
Dr. 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	550,000	0.024%	29.11.2004 – 28.11.2014	(2), (4)
	19.30	500,000	0.022%	18.4.2007 – 17.4.2017	(3), (4)
Mr. YIN Weiyu	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	Number of H shares held as at the Latest Practicable Date	Percentage of total issued H share capital of the associated corporation as at the Latest Practicable Date	Number of A shares held as at the Latest Practicable Date	Percentage of total issued A share capital of the associated corporation as at the Latest Practicable Date
China COSCO Holdings Company Limited	Dr. WONG Tin, Yau, Kelvin	Beneficial owner	Personal	573,875	0.022%	–	–
	Mr. YIN Weiyu	Beneficial owner	Personal	30,000	0.001%	13,100	0.0002%
		Interest of spouse	Family	–	–	4,000	0.0001%
Name of associated corporation	Name of Director	Capacity	Nature of interest	Number of shares held as at the Latest Practicable Date	Percentage of total issued share capital of the associated corporation as at the Latest Practicable Date		Note
COSCO Corporation (Singapore) Limited	Mr. LI Jianhong	Beneficial owner	Personal	1,300,000	0.058%		(1)
	Ms. SUN Yueying	Beneficial owner	Personal	1,400,000	0.063%		(1)
COSCO International Holdings Limited	Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	800,000	0.054%		–

Note:

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

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

(A) COSCO International Holdings Limited

Name of associated corporation	Name of Director	Exercise price (HK\$)	Number of share options outstanding as at the Latest Practicable Date	Percentage of total issued share capital of the associated corporation as at the Latest Practicable Date	Note
COSCO International Holdings Limited	Mr. LI Jianhong	0.57	1,800,000	0.122%	(1), (3)
		1.37	1,200,000	0.081%	(2), (3)
	Dr. SUN Jiakang	0.57	600,000	0.041%	(1), (3)
		1.37	800,000	0.054%	(2), (3)
	Dr. WONG Tin Yau, Kelvin	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 adopted by COSCO International on 17 May 2002 and amended by the shareholders of COSCO International at the special general meeting held on 5 May 2005 (the “Share Option Scheme of COSCO International”). The share options are exercisable at an exercise price of HK\$0.57 per share at any time between 23 December 2003 and 22 December 2008.
- (2) The share options were granted by COSCO International on 2 December 2004 pursuant to the Share Option Scheme of COSCO International. The share options are exercisable at an exercise price of HK\$1.37 per share at any time between 29 December 2004 and 28 December 2014.
- (3) These options represent personal interest held by the relevant Director as beneficial owner.

(B) COSCO Corporation (Singapore) Limited

Name of associated corporation	Name of Director	Exercise price	Number of share options outstanding as at the Latest Practicable Date	Percentage of total issued share capital of the associated corporation as at the Latest Practicable Date
		(\$)		
COSCO Corporation (Singapore) Limited	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

(i) Share appreciation rights

Name of associated corporation	Name of Director	Exercise price	Number of units of share appreciation rights outstanding as at the Latest Practicable Date	Percentage of total issued H share capital of the associated corporation as at the Latest Practicable Date	Note
		(HK\$)			
China COSCO Holdings Company Limited	Mr. CHEN Hongsheng	3.195	525,000	0.020%	(1), (4)
		3.588	700,000	0.027%	(2), (4)
		9.540	680,000	0.026%	(3), (4)
	Mr. LI Jianhong	3.195	450,000	0.017%	(1), (4)
		3.588	600,000	0.023%	(2), (4)
		9.540	580,000	0.022%	(3), (4)
	Mr. XU Lirong	3.195	375,000	0.015%	(1), (4)
		3.588	500,000	0.019%	(2), (4)
		9.540	580,000	0.022%	(3), (4)
	Ms. SUN Yueying	3.195	450,000	0.017%	(1), (4)
		3.588	600,000	0.023%	(2), (4)
		9.540	580,000	0.022%	(3), (4)
	Mr. XU Minjie	3.195	75,000	0.003%	(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)
	Mr. YIN Weiyu	3.195	100,000	0.004%	(1), (4)
		3.588	65,000	0.003%	(2), (4)

Notes:

- (1) The share appreciation rights were granted by China COSCO Holdings Company Limited (“China COSCO”), 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.

(ii) Call warrants by JP Morgan SP BV

Name of associated corporation	Name of Director	Exercise price (HK\$)	Number of units of call warrants as at the Latest Practicable Date	Exercisable Period
China COSCO Holdings Company Limited	Mr.YIN Weiyu	28.880	200,000	30.9.2008

- (b) As at the Latest Practicable Date, so far as was known to the Directors, the persons (other than the Directors) having interests in the Shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Name	Capacity	Nature of interests	As at the Latest Practicable Date		Note
			Number of Shares	Percentage of total issued share capital	
COSCO Investments Limited	Beneficial owner	Beneficial interest	200,120,000(L)	8.91	(1), (2)
COSCO Pacific Investment Holdings Limited	Beneficial owner and interest of controlled corporation	Beneficial interest and corporate interest	1,144,166,411(L)	50.96	(1), (2)
China COSCO Holdings Company Limited	Interest of controlled corporation	Corporate interest	1,144,166,411(L)	50.96	(1), (2)
China Ocean Shipping (Group) Company	Interest of controlled corporation	Corporate interest	1,144,166,411(L)	50.96	(1), (2)
Citigroup Inc.	Interest of controlled corporation/ Custodian/ Person having a security interest	Corporate interests and other interests	112,846,692(L)	5.03	(3)
			9,340,199(S)	0.42	(3)
			72,143,093(P)	3.21	(3)

Remark: (L) Long Position, (S) Short Position, (P) Lending Pool

Notes:

- (1) The 1,144,166,411 Shares relate to the same batch of shares in the Company. COSCO Investments Limited (“COSCO Investments”) is a wholly-owned subsidiary of COSCO Pacific Investment Holdings Limited (“COSCO Pacific Investment”). Accordingly, the 200,120,000 Shares held by COSCO Investments are also included as part of COSCO Pacific Investment’s interests in the Company. COSCO Pacific Investment is a wholly-owned subsidiary of China COSCO Holdings Company Limited (“China COSCO”) and it itself holds 944,046,411 Shares 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. China Ocean Shipping (Group) Company (“COSCO”) holds 54.32% interest of the issued share capital of China COSCO (including A Shares and H Shares) 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 the Directors in COSCO, China COSCO, COSCO Pacific Investment and COSCO Investments respectively as at the Latest Practicable Date:

COSCO

Name of Director	Posts held in COSCO
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

Name of Director	Posts held in China COSCO
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

Name of Director	Posts held in COSCO Pacific Investment
Mr. CHEN Hongsheng	Chairman
Mr. LI Jianhong	Director
Ms. SUN Yueying	Director
Mr. XU Minjie	Director

COSCO Investments

Name of Director	Posts held in COSCO Investments
Mr. CHEN Hongsheng	Director
Mr. XU Minjie	Director

- (3) The interest of Citigroup Inc. was attributable on account through a number of its wholly-owned and non wholly-owned subsidiaries.

- (c) So far as was known to the Directors, as at the Latest Practicable Date, the following persons (other than members of the Group) were directly or indirectly interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the following members of the Group (other than the Company) and the amount of each of such person's interest in such securities was as follows:

Name of member of the Group	Name of substantial shareholder	Interest in share capital/equity interest of the company concerned	Percentage of shareholding as at the Latest Practicable Date
Cheer Hero Development Limited <i>(a company incorporated in Hong Kong)</i>	China Railway (Hong Kong) Holdings Limited	2,300 ordinary shares	23%
Zhangjiagang Win Hanverky Container Terminal Co., Ltd. <i>(a Sino-foreign equity joint venture established in the PRC)</i>	張家港港務集團有限公司 (Zhangjiagang Port Group Co. Ltd.)	Registered capital in the amount of US\$18,032,000	49%
Guangzhou South China Oceangate Container Terminal Company Limited <i>(a Sino-foreign equity joint venture established in the PRC)</i>	廣州港集裝箱綜合發展有限公司 (Guangzhou Port Container Comprehensive Development Co., Ltd.)	Registered capital in the amount of RMB575,300,110	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%
Quan Zhou 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 Port of Jiangsu Province Group Co., Ltd.)	Registered capital in the amount of US\$17,920,000	40%
Jinjiang Pacific Ports Development Co., Ltd. <i>(a Sino-foreign equity joint venture established in the PRC)</i>	晉江市港口投資發展有限公司 (Jinjiang Port Investment & Development Co., Ltd.) and its subsidiaries	Registered capital in the amount of US\$9,980,000	20%

- (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 (a) 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 (b) entered in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules; 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 ("COSCO Pacific Management"), 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.
- (b) Dr. 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.
- (c) Mr. WANG Zhi has an employment contract with COSCO Pacific Management 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.
- (d) Mr. YIN Weiyu has an employment contract with COSCO Pacific Management commencing from 9 October 2006. Such contract is terminable by either party by giving to the other party not less than one month's prior notice in writing.
- (e) Save as disclosed herein, as at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service agreement or employment contract with any member of the Group which is not terminable by the Group within one year without payment of compensation, other than statutory compensation.

4. LITIGATION

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

5. DIRECTORS' INTEREST IN COMPETING BUSINESS

COSCO and its subsidiaries (excluding the Group and the COSCO Logistics Group (as defined below)) (collectively the "COSCO Group") carry on, among others, the businesses of shipping agency, freight forwarding and/or third party logistics and supporting services relating to the aforesaid services ("Logistics Businesses"), details of which are disclosed in the connected transactions circular issued by the Company dated 13 October 2003. The core of such businesses is unlikely to be in competition with the businesses carried on by COSCO Logistics Co., Ltd. ("COSCO Logistics"), its subsidiaries, jointly controlled entities and associates (collectively the "COSCO Logistics Group"). As at the Latest Practicable Date, China COSCO, a subsidiary of COSCO, and the Group has 51% and 49% equity interests in COSCO Logistics, respectively.

As at the Latest Practicable Date, Mr. CHEN Hongsheng, Mr. LI Jianhong, Mr. XU Lirong, Ms. SUN Yueying, Mr. XU Minjie and Dr. SUN Jiakang, all being Directors, held directorships and/or senior management posts in the COSCO Group and/or other companies which have interests in container terminals ("Container Terminal Interests").

The Board is of the view that the Group is capable of carrying on its businesses independently of the Logistics Businesses and/or the Container Terminal Interests. When making decisions on the logistics businesses and/or the container terminal business of the Group, the relevant Directors, in the performance of their duties as directors of the Company, have acted and will continue to act in the best interest of the Group.

6. 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 & Company Secretary of the Company is Ms. HUNG Man, Michelle, a practising solicitor in Hong Kong. She is also qualified in England and Wales.
- (d) The qualified accountant of the Company is Ms. SIU Kim Shan, Margaret who is a fellow member of the Association of Chartered 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.