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DEFINITIONS

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

“Acquisition”	the acquisition of the entire equity interest in COSCO Insurance
“Agreement”	the Agreement dated 14th May 2004 for the sale and purchase of 100% equity interest in COSCO Insurance
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audited Accounts”	the audited accounts prepared by the auditors of COSCO Insurance for the financial year ended 31st December 2003
“Board”	the board of directors of the Company
“business day”	a day on which licensed banks in Hong Kong are generally open for business (excluding Saturday, Sunday and public holidays)
“BVI”	the British Virgin Islands
“Company”	COSCO International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Completion”	the completion of the Acquisition contemplated under the Agreement
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate consideration (being the sum of Consideration A and Consideration B) of the Acquisition
“Consideration A”	the consideration (in the sum of US\$4,542,000 (equivalent to HK\$35,427,600)) payable to COSCO Hong Kong for its 75% equity interest in COSCO Insurance
“Consideration B”	the consideration (in the sum of US\$1,514,000 (equivalent to HK\$11,809,200)) payable to G.W. Maritime for its 25% equity interest in COSCO Insurance
“Continuing Connected Transactions”	the continuing connected transactions between the COSCO Group and COSCO Insurance as set out in the paragraph headed “Continuing Connected Transactions” in this circular
“COSCO”	中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company), a company incorporated in the PRC and the ultimate beneficial owner holding approximately 58.80% of the issued share capital of the Company (the remaining 41.20% of the issued share capital of the Company is held by the public)
“COSCO Group”	COSCO and its subsidiaries (other than the Group)

DEFINITIONS

“COSCO Hong Kong”	COSCO (Hong Kong) Group Limited, a company incorporated in Hong Kong with limited liability and an intermediate holding company of the Company
“COSCO Insurance”	COSCO (Hong Kong) Insurance Brokers Limited, a company incorporated in Hong Kong with limited liability
“COSCO Investments”	COSCO Investments Limited, a company incorporated under the laws of BVI and a wholly-owned subsidiary of COSCO, which holds approximately 21.43% of the issued share capital of the Company
“COSCO Singapore”	COSCO Holdings (Singapore) Pte. Ltd., a company incorporated in the Republic of Singapore with limited liability
“Directors”	the directors of the Company
“G. K. Goh”	G. K. Goh Securities (H.K.) Limited, a deemed licensed Corporation for types 1 (Dealing in Securities), 4 (Advising on Securities), 6 (Advising on Corporate Finance) and 9 (Asset Management) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition (and the Agreement) and the Continuing Connected Transactions (including the Cap Amounts)
“G. W. Maritime”	G. W. Maritime Pte. Ltd., a company incorporated in the Republic of Singapore with limited liability
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	An independent committee of the Board, comprising the Independent Directors, appointed to consider and make recommendations to the Independent Shareholders in relation to the Acquisition and the Continuing Connected Transactions
“Independent Directors”	Mr. Chan Cheong Foon, Andrew and Mr. Tsui Yiu Wa, Alec, being the independent non-executive Directors, appointed to consider and make recommendations to the Independent Shareholders in relation to the Acquisition (and the Agreement) and the Continuing Connected Transactions (including the Cap Amounts)
“Independent Shareholder(s)”	Shareholder(s) other than COSCO Hong Kong, G. W. Maritime, COSCO Group and any of their respective associates
“Insurance Authority”	The regulatory body set up for the administration of the Insurance Companies Ordinance (Cap. 41 of the Laws of the Hong Kong)

DEFINITIONS

“Latest Practicable Date”	means 31st May 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30th September 2004
“PRC”	People’s Republic of China (for the purpose of this Circular shall exclude Hong Kong, Macau Special Administrative Region and Taiwan Region)
“Purchaser”	Promise Keep Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held at 49th Floor, COSCO Tower, 183 Queen’s Road Central, Hong Kong on 24th June 2004 at 10:00 a.m. (notice of which is set out on pages 25 to 26 of this circular), including any adjournment thereof, to approve the Acquisition (and the Agreement) and the Continuing Connected Transactions (including the Cap Amounts)
“Shareholder(s)”	the holder(s) of the share(s) of the Company
“Shares”	the ordinary shares of HK\$0.10 each of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“True Smart”	True Smart International Limited, a company incorporated under the laws of BVI and a wholly-owned subsidiary of COSCO, which holds approximately 37.37% equity interest in the Company
“US\$”	United States dollars, the lawful currency of the United States
“Vendors”	COSCO Hong Kong and G. W. Maritime

In this circular, the exchange rate of US\$1 to HK\$7.8 is used for reference only.

LETTER FROM THE BOARD



COSCO International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 517)

Executive Directors:

Dr. Wei Jiafu (*Chairman*)
Mr. Liu Guoyuan (*Vice-chairman*)
Mr. Li Jianhong
Mr. Zhou Liancheng
Mr. Liu Hanbo (*Managing Director*)
Mr. He Jiale
Dr. Guo Huawei
Mr. Chen Pisen
Mr. Meng Qinghui
Mr. Zhao Kaiji
Mr. Lin Libing

Non-executive Directors:

Mr. Kwong Che Keung, Gordon

Independent Non-executive Directors:

Mr. Chan Cheong Foon, Andrew
Mr. Tsui Yiu Wa, Alec

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal
place of business:*

47th Floor
COSCO Tower
183 Queen's Road
Central
Hong Kong

4th June 2004

To the Shareholders,

Dear Sir and Madam,

**CONNECTED TRANSACTIONS IN RELATION
TO THE ACQUISITION OF THE ENTIRE EQUITY INTEREST IN
COSCO (HONG KONG) INSURANCE BROKERS LIMITED
AND
CONTINUING CONNECTED TRANSACTIONS**

1. INTRODUCTION

On 14th May 2004, the Directors announced that the Company and the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement for the sale and purchase of 100% interest in COSCO Insurance with COSCO Hong Kong and G. W. Maritime, both of whom being Connected Persons of the Company.

LETTER FROM THE BOARD

COSCO Hong Kong is a substantial shareholder of the Company and thus a Connected Person of the Company under the Listing Rules. G. W. Maritime is an associate of COSCO (the holding company of COSCO Hong Kong) and thus a Connected Person of the Company. Accordingly, the Acquisition constitutes connected transactions for the Company under the Listing Rules and requires disclosure by way of press announcement, the despatch of a circular to the Shareholders and prior approval by Independent Shareholders in SGM. Votes of the Independent Shareholders at the SGM shall be taken by poll.

As the Company will upon Completion hold the entire equity interest in COSCO Insurance, the provisions of the marine and general insurance brokerage services by the COSCO Insurance to the COSCO Group will constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising Mr. Chan Cheong Foon, Andrew and Mr. Tsui Yiu Wa, Alec (both being independent non-executive Directors), has been appointed by the Board to advise the Independent Shareholders as to whether the terms of the Acquisition (and the Agreement) and the Continuing Connected Transactions (including the Cap Amounts) are fair and reasonable and in the interests of the Company and its Shareholders as a whole and to advise the Independent Shareholders on how to vote, taking into recommendations of the independent financial adviser. G. K. Goh has been appointed as the independent financial adviser to make recommendations to the Independent Board Committee and the Independent Shareholder as to whether the terms of the Acquisition (and the Agreement) and the Continuing Connected Transactions (including the Cap Amounts) are fair and reasonable and are in the interests of the Company and its Shareholders as a whole and to advise the Independent Shareholders on how to vote.

The purpose of this circular is (i) to provide the Shareholders with further information on the Acquisition (and the Agreement) and the Continuing Connected Transactions (including the Cap Amounts), (ii) to set out the recommendation of the Independent Board Committee in respect of the Acquisition (and the Agreement) and the Continuing Connected Transactions (including the Cap Amounts), the letter of advice from G. K. Goh to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition (and the Agreement) and Continuing Connected Transactions (including the Cap Amounts), and (iii) to give the Shareholders the notice of the SGM and other information required by the Listing Rules.

Your attention is hereby specifically drawn to pages 25 to 26 of this circular where you will find a notice dated 4th June, 2004 convening the SGM to be held on 24th June 2004. Given their interests in this transaction, COSCO Hong Kong, G. W. Maritime, COSCO Group and their respective associates will abstain from voting at the SGM with respect to the resolutions to approve the Acquisition (and the Agreement) and the Continuing Connected Transactions (including the Cap Amounts).

2. ACQUISITION OF THE ENTIRE EQUITY INTEREST IN COSCO INSURANCE

The sale and purchase agreement dated 14th May 2004

Parties:

- (i) Purchaser : Promise Keep Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company

LETTER FROM THE BOARD

(ii) Vendors : COSCO (Hong Kong) Group Limited, a company incorporated in Hong Kong with limited liability and the substantial shareholder of the Company and thus a Connected Person of the Company

G. W. Maritime Pte. Ltd., a company incorporated in the Republic of Singapore with limited liability and an associate of COSCO (the holding company of COSCO Hong Kong) and thus a Connected Person of the Company

(iii) The Company

Equity interest to be acquired

Upon Completion, the Company will hold the entire equity interest in COSCO Insurance and COSCO Insurance will become a wholly owned subsidiary of the Company.

Consideration

The Consideration for the purchase of the entire equity interest in COSCO Insurance is US\$6,056,000 (equivalent to HK\$47,236,800). The Consideration has been determined after arm's length negotiation between the parties thereto and represents a 2003 historical price-earning ratio of approximately 3.93 times to the net profit of COSCO Insurance for the financial year ended 31st December, 2003 based on the figures in the Audited Accounts. Such price-earning ratio is on the low end of the companies carrying on similar business as COSCO Insurance. The Directors have confirmed that they have also reviewed the recent price-earning ratios of certain insurance companies whose shares are listed on the Stock Exchange, though their principal businesses are not strictly identical to that of COSCO Insurance, and found that the price-earnings ratio for the Acquisition is on the low end among those insurance companies whose shares are listed on the Stock Exchange. Upon Completion, Consideration A payable to COSCO Hong Kong and Consideration B payable to G.W. Maritime will be satisfied by cash out of the internal resources of the Group.

The terms of the Agreement have been negotiated on arm's length basis between the parties thereto and on normal commercial terms. The Directors consider that the terms and conditions of the Agreement are bona fide in the commercial interest of the Group. The Directors take the view that the Acquisition (and the Agreement) was entered into on normal commercial terms (with particular reference to the determination of the Consideration), in the ordinary course of business of the Company and on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

The Agreement is conditional upon, among other things, the following conditions precedent being fulfilled or waived by the Company on or before the Long Stop Date:

1. the equity interest transfer having been approved by the board of directors of COSCO Insurance;
2. the passing by the Independent Shareholders of an ordinary resolution approving the Agreement and the transactions contemplated thereunder in accordance with the Listing Rules;

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3. all necessary regulatory approvals (including but not restricted to the approval of the Insurance Authority) as may be required in respect of the Acquisition having been obtained by the Purchaser, Vendors and/or the COSCO Insurance;
4. the completion of a due diligence exercise to be carried out on the assets, liabilities, business, undertaking and prospect of COSCO Insurance and the results of which being satisfactory to the Purchaser; and
5. the Purchaser obtaining a Hong Kong legal opinion regarding COSCO Insurance in the form and substance satisfactory to it.

As at the Latest Practicable Date, none of the conditions has been fulfilled.

In the event that any of the aforesaid conditions precedent is not fulfilled or waived by the Purchaser on or before the Long Stop Date or such later date as the parties thereto may agree in writing, the Agreement shall terminate automatically and no party shall have any claim against the other, save in respect of any antecedent breach. Conditions 4 and 5 may be waived by the Purchaser; however, as at the Latest Practicable Date, the Purchaser has not waived and has no intention to waive any of the aforesaid conditions.

Completion

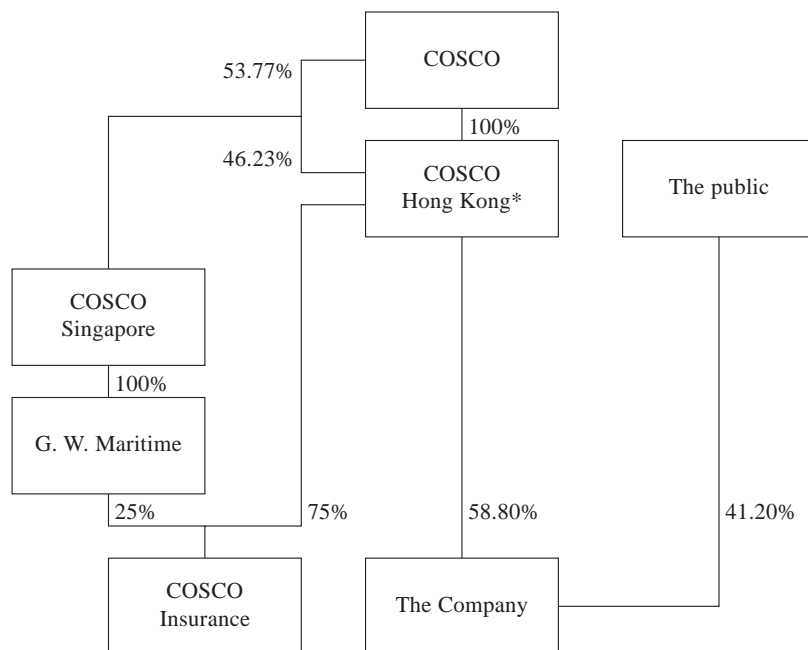
Completion shall take place at such place as the parties to the Agreement may agree on the earlier of (i) the date following 10 business days immediately after all the conditions precedent under the Agreement have been fulfilled (unless waived by the Purchaser); and (ii) the Long Stop Date, or such other date as the parties thereto may agree in writing.

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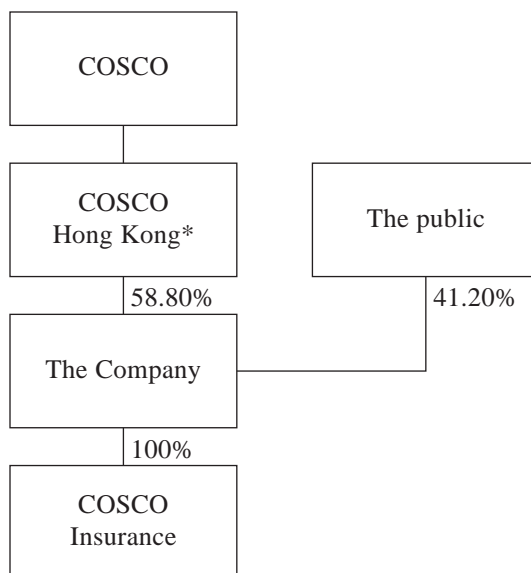
3. STRUCTURE OF THE COMPANY

The following charts represent the structure of the Company immediately before and after Completion:

Before Completion



After Completion



* The Company is beneficially owned as to 37.37% and 21.43% by True Smart and COSCO Investments respectively. Each of True Smart and COSCO Investments is a company incorporated in the BVI with limited liability and a wholly owned subsidiary of COSCO Hong Kong and hence COSCO Hong Kong beneficially owns 58.80% interest in the Company.

LETTER FROM THE BOARD

4. INFORMATION ON COSCO INSURANCE

COSCO Insurance is currently engaged in the business of providing professional services of insurance brokerages, insurance consultancy and claims consultancy to corporations and individual customers. The principal insurance brokerage services provided by COSCO Insurance include marine and general insurance brokerage services. The table below sets out the profit before and after taxation for COSCO Insurance for the two years ended 31st December 2002 and 2003 respectively and its net asset value as at 31st December 2002 and 2003.

COSCO Insurance	Year ended	Year ended
	31st December 2002	31st December 2003
	US\$('000)/HK\$('000)	US\$('000)/HK\$('000)
Profit before taxation	1,534/11,964	1,864/14,543
Profit after taxation	1,288/10,050	1,542/12,031
Net asset value	1,929/15,050	2,184/17,031

5. INFORMATION ON THE GROUP AND REASONS FOR ENTERING INTO THE AGREEMENT

The Group is principally engaged in ship trading and supplying services, property investment and development, infrastructure investment and building construction.

The Group will hold the entire equity interest in COSCO Insurance upon Completion. As stated in the 2003 annual report of the Company, one of the business focuses of the Group is to expand the scope of ship trading and supplying services, such as paint business and ship related insurance, so as to develop the “COSCO ship trading and supplying services” brand.

Given the reputation and performance of COSCO Insurance, it is considered that the Acquisition is in line with the stated business plan of the Group and the Acquisition will broaden the Group’s earning base.

6. CONTINUING CONNECTED TRANSACTIONS

COSCO Insurance has entered into the following transactions with the following Connected Persons of the Company, and such transactions will continue on an ongoing basis.

Provisions of marine and general insurance brokerage services

COSCO Insurance has been providing marine and general insurance brokerage services to the COSCO Group. All such provisions of the marine and general insurance brokerage services have been conducted in the ordinary and usual course of business of COSCO Insurance and are on normal commercial terms.

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The following is a summary of the historical transaction amounts of the Continuing Connected Transactions for the three years ended 31st December 2001, 2002 and 2003:

Transaction	Amount (US\$'000/ HK\$'000)/% of		Amount (US\$'000/ HK\$'000)/% of		Amount (US\$'000/ HK\$'000)/% of	
	the Group's turnover for the year ended 31st December	% to the Group's net tangible assets for the year ended 31st December	the Group's turnover for the year ended 31st December	% to the Group's net tangible assets for the year ended 31st December	the Group's turnover for the year ended 31st December	% to the Group's net tangible assets for the year ended 31st December
	2001	2001	2002	2002	2003	2003
Provision of marine and general insurance brokerage services to COSCO Group	2,498/19,484 1.1%	1.3%	2,525/19,692 3.4%	2.0%	2,844/22,181 2.4%	2.6%

Pursuant to the Agreement, COSCO Hong Kong and the Company will procure that for a term of three years, the Continuing Connected Transactions have been and will be entered into in the ordinary and usual course of business of COSCO Insurance and have been and will be on normal commercial terms or on terms no less favourable than terms available to or from (as appropriate) independent third party and in accordance with the terms stipulated in the Agreement that are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Pursuant to the Agreement, the Company undertakes for a term of three years it will (i) have full access to the books of COSCO Insurance; (ii) monitor the volume of the Continuing Connected Transactions; and (iii) ensure the aggregate amount of the Continuing Connected Transactions for each of the financial years ending 31st December 2004, 2005 and 2006 of the Group shall not exceed the relevant Cap Amount as defined in the paragraph headed “**Disclosure requirements**” below. The Company also undertakes to comply with Rule 14A.37 to Rule 14A.41 of the Listing Rules. Upon renewal of the Agreement, the Company must comply with all applicable rules under Chapter 14A of the Listing Rules.

Reasons for and benefits of the Continuing Connected Transactions

The Directors believe that the Continuing Connected Transactions have been conducted in the usual and ordinary course of business of COSCO Insurance, and are based on normal commercial terms and on terms no less favourable than terms available to or from (as appropriate) independent third party. The Directors are of the view that these Continuing Connected Transaction are fair and reasonable and in the interest of the Company and the Shareholders as a whole. The Directors consider it to be in the interest of the Company to continue engaging in the Continuing Connected Transactions as they would help to increase the market share of COSCO Insurance. The Directors have confirmed that the Continuing Connected Transactions contributed 86% of the turnover of COSCO Insurance; and COSCO Group remains the major customers in the market. As such, the Continuing Connected Transactions would secure COSCO Insurance's market share.

LETTER FROM THE BOARD

Disclosure requirements

Upon Completion, the Continuing Connected Transactions will constitute non-exempt continuing connected transactions of the Company under Rule 14A.35 of the Listing Rules. These Continuing Connected Transactions are required to be approved by Independent Shareholders under Rule 14A.48 of the Listing Rules.

In determining the aggregate amount of the Continuing Connected Transactions for each of the three financial year ending 31st December 2004, 2005 and 2006 of the Group, the Directors has (i) examined and compared the recent volumes of the Continuing Connected Transactions carried out by COSCO Insurance with its previous volumes; (ii) interviewed the management of COSCO Insurance to obtain opinion on the Continuing Connected Transactions turnover forecasts for the years of 2004–2006; and (iii) considered the following factors: (a) business growth trend of COSCO Insurance’s provisions of marine and general insurance brokerage services; (b) recent growth trend of the price of ocean vessels — higher price required for higher insured sum; (c) premium rate movement and trend quoted by insurance underwriters; (iv) interviewed the management of COSCO Insurance to obtain its opinion on the overall forecast for the years of 2004–2006 on the number, age and size of vessels held by COSCO Group; and (v) examined and compared the unaudited accounts of COSCO Insurance in recent months (January to April 2004) with those in the corresponding months in 2003. Based on the above factors and historical scale of operations of the COSCO Insurance for the years of 2001 to 2003, the Board is of the view that the aggregate amount of the Continuing Connected Transactions for each of the three financial years ending 31st December 2004, 2005 and 2006 of the Group shall not exceed the relevant cap amount (“**Cap Amount**”) as set out below:

Transaction	Parties	Cap Amount	% to the	Cap Amount	% to the	Cap Amount	% to the
		(per annum) (US\$’000/ HK\$’000) for the year ended 31st December 2004	Group’s net tangible assets for the year ended 31st December 2003	(per annum) (US\$’000/ HK\$’000) for the year ended 31st December 2005	Group’s net tangible assets for the year ended 31st December 2003	(per annum) (US\$’000/ HK\$’000) for the year ended 31st December 2006	Group’s net tangible assets for the year ended 31st December 2003
Provisions of marine and general insurance brokerage services to COSCO Group	COSCO Insurance and COSCO Group	3,697/28,837	3.4%	4,252/33,166	3.9%	4,890/38,142	4.5%

The Company will comply with Rule 14A.36 of the Listing Rules. The Company undertakes to comply with the relevant Listing Rules in relation to annual review of continuing connected transaction.

7. SPECIAL GENERAL MEETING

It is set out on pages 25 to 26 of this circular a notice convening the SGM to be held at 49th Floor, COSCO Tower, 183 Queen’s Road Central, Hong Kong on 24th June 2004 at 10:00 a.m. at which ordinary resolutions will be proposed and, if thought fit, passed to approve the Acquisition (and the Agreement) and the Continuing Connected Transactions (including the Cap Amounts). As resolutions to approve the

LETTER FROM THE BOARD

Acquisition (and the Agreement) and the Continuing Connected Transactions (including the Cap Amounts) under the Listing Rules will be considered at the SGM, the Chairman of the SGM will demand that the resolutions to be proposed be decided by poll.

A proxy form for use at the SGM is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Abacus Share Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM. Completion and return of the proxy form will not preclude you from attending and voting at the SGM or at any adjourned meeting (as the case may be) should you so wish.

COSCO Hong Kong, G. W. Maritime, COSCO Group and their respective associates (as defined in the Listing Rules) will abstain from voting on the ordinary resolutions to be proposed at the SGM in respect of the Acquisition (and the Agreement) and Continuing Connected Transactions (including the Cap Amounts).

8. RECOMMENDATION OF THE INDEPENDENT BOARD COMMITTEE

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 13 to 14 of this circular which contains the recommendation from the Independent Board Committee to the Independent Shareholders concerning the Acquisition (and the Agreement) and the Continuing Connected Transactions (including the Cap Amounts) and (ii) the letter from G. K. Goh set out on pages 15 to 19 of this circular which contains the recommendation of G. K. Goh to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition (and the Agreement) and the Continuing Connected Transactions (including the Cap Amounts) and the principal factors considered by G. K. Goh in arriving at its recommendation.

Having taken into account the advice from G. K. Goh and in particular the principal factors set out in the letter of advice from G. K. Goh, the Independent Board Committee considers that the terms of the Acquisition (and the Agreement) and the Continuing Connected Transactions (including the Cap Amounts) are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommend that the Independent Shareholders should vote in favour of the ordinary resolutions to be proposed at the SGM in respect of the Acquisition (and the Agreement) and the Continuing Connected Transactions (including the Cap Amounts) and the transactions contemplated thereunder.

9. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee and the letter from G. K. Goh, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, and additional information set out in the appendix to this circular.

By order of the Board
COSCO International Holdings Limited
LIU Hanbo
Managing Director



COSCO International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 517)

4th June 2004

To the Independent Shareholders

Dear Sir and Madam,

**CONNECTED TRANSACTIONS
IN RELATION TO THE ACQUISITION OF
THE ENTIRE EQUITY INTEREST IN
COSCO (HONG KONG) INSURANCE BROKERS LIMITED
AND
CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular of the Company dated 4th June 2004 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context requires otherwise.

We have been appointed by the Board as the Independent Board Committee to advise you as to whether, in our opinion, the terms of the Acquisition (and the Agreement) and the Continuing Connected Transactions (including the Cap Amounts) are fair and reasonable so far as the Independent Shareholders are concerned.

G. K. Goh has been appointed by the Company as the independent financial adviser to advise us and the Independent Shareholders regarding the terms of the Acquisition (and the Agreement) and the Continuing Connected Transactions (including the Cap Amounts). Details of its advice, together with the principal factors taken into consideration in arriving at such, are set out in its letter on pages 15 to 19 of the Circular.

Your attention is drawn to the letter from the Board set out on pages 4 to 12 of the Circular and the additional information set out in the appendix.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the terms of the Acquisition (and the Agreement) and the Continuing Connected Transactions (including the Cap Amounts) and the advice given by G. K. Goh, we consider that the terms of the Acquisition (and the Agreement) and the Continuing Connected Transactions (including the Cap Amounts) are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend that the Independent Shareholders should vote in favour of the ordinary resolutions approving the Acquisition (and the Agreement) and the Continuing Connected Transactions (including the Cap Amounts) to be proposed at the SGM.

Yours faithfully,

CHAN Cheong Foon, Andrew TSUI Yiu Wa, Alec
Independent Board Committee

LETTER FROM G. K. GOH

The following is the full text of the letter from G. K. Goh setting out its advice to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition and the Continuing Connected Transactions.



G. K. Goh Securities (H.K.) Limited

Suite 1808
Alexandra House
16–20 Chater Road
Central
Hong Kong

4th June 2004

To the Independent Board Committee and the Independent Shareholders of
COSCO International Holdings Limited

Dear Sirs,

**CONNECTED TRANSACTIONS
IN RELATION TO THE ACQUISITION OF
THE ENTIRE EQUITY INTEREST IN
COSCO (HONG KONG) INSURANCE BROKERS LIMITED
AND
CONTINUING CONNECTED TRANSACTIONS**

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition (and the Agreement) and the Continuing Connected Transactions (including the Cap Amounts), details of which are contained in a circular (the “**Circular**”) to the Shareholders dated 4th June 2004, of which this letter forms part. Expressions used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

An Independent Board Committee comprising Mr. Chan Cheong Foon, Andrew and Mr. Tsui Yiu Wa, Alec, being the independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to the Acquisitions (and the Agreement) and the Continuing Connected Transactions (including the Cap Amounts). Votes of the Independent Shareholders at the SGM shall be taken by poll. COSCO Hong Kong, G. W. Maritime, COSCO Group and their respective associates (as defined in the Listing Rules) will abstain from voting in the SGM with respect to the ordinary resolutions to approve the Acquisition (and the Agreement) and the Continuing Connected Transactions (including the Cap Amounts.)

In formulating our recommendation, we have relied on the information and facts 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 at the time they were made and continue to be so at the date of the 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 been advised by the Directors and believe that no material facts have been omitted from the Circular.

LETTER FROM G. K. GOH

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 recommendation. 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 the prospects of the Company or COSCO Insurance or any of their respective subsidiaries or associates.

THE ACQUISITION

In arriving at our opinion for the Acquisition, we have considered the following principal factors and reasons:

Background and reasons

The Group is principally engaged in ship trading and supplying services, property investment and development, infrastructure investment and building construction. As noted from the annual report of the Group for the financial year ended 31st December 2003, the Group persisted in their efforts to thoroughly implement its strategies set out in early 2002 of focusing on the development of ship trading and supplying services. The Directors consider that the Acquisition represents a further step in expanding the scope of shipping related services of the Group.

COSCO Insurance was established in 1995 and is the only insurance brokerage agent within the COSCO Group, responsible for the provision of marine and general insurance brokerage services. We note that approximately 90% of the COSCO Insurance's sales were related to the provisions of marine insurance services and that COSCO Group is the single largest customer of COSCO Insurance accounting for approximately 80–90% of COSCO Insurance's sales in the last three financial years. In view of (i) COSCO Insurance's established track record and financial performance; (ii) the support given by COSCO Group (being one of the largest shipping conglomerates in the PRC) to COSCO Insurance throughout these financial years; and (iii) the opportunity for the Group to broadening its earnings base, we concur with the views of the Directors that the Acquisition represents an opportunity for the Group to expand its business scope of shipping related services and thus is in the interests of the Company and the Shareholders as a whole.

The Consideration

The Consideration represents a price-earnings ratio (“**PER**”) of approximately 3.93 times the net profit of COSCO Insurance for the financial year ended 31st December 2003 of approximately HK\$12.0 million. Given that COSCO Insurance has achieved a relatively steady business track record since its establishment in 1995, we regard that PER valuation analysis is an appropriate basis in determining the Consideration. We note that the Company has made reference to certain listed insurance companies (“Reference Companies”) in Hong Kong with respective PER ranged from approximately 11 times to 34 times as at 31st May 2004, and although we concur with the Directors' view that the PER implied under the Consideration is at the low end of the PER of the Reference Companies, given COSCO Insurance's unique nature of insurance broker business, we regard the Reference Companies not straightly comparable. Therefore, we further made reference to other comparable transaction effected by the Company in mid-2002 when the Company acquired a company namely COSCO International Ship Trading Company Limited (“**COSCO Ship Trading**”), whose principal business and principal customer is similar in nature to that of COSCO Insurance, at a consideration of an equivalent historical PER of approximately 4.5 times. COSCO Ship Trading is principally engaged in the provision of shipping agency services and COSCO Group is its major customer. Given that both COSCO Ship Trading and COSCO Insurance have similar revenue model (i.e. commission based business), we are of the view that the implied historical PER for the Acquisition of 3.93 times is comparable to that of COSCO Ship Trading. We note that the Company has conducted its own

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internal due diligent review on COSCO Insurance's financial performance for the recent four months from January to April 2004 with no material adverse changes noted as compared to the corresponding four months of the prior financial year.

Overview

Having taken into account the above, we consider that the Consideration is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

PRO FORMA FINANCIAL EFFECT

Earnings

For the financial year ended 31st December 2003, the Group recorded an operating loss of approximately HK\$73.9 million and loss attributable to the Shareholders of approximately HK\$116.7 million, whilst COSCO Insurance recorded an audited consolidated net profit of approximately US\$1.54 million (equivalent to approximately HK\$12.0 million) for the financial year ended 31st December 2003. Upon Completion, an estimated goodwill of approximately HK\$35 million would arise from the Acquisition and we understand that such goodwill will be amortized on a straight-line basis over a period of 20 years. The Acquisition will give rise to an estimated annual goodwill amortization expense of approximately HK\$1.7 million. Despite this annual amortization expense, when taking into account the financial performance of COSCO Insurance in the recent years, we consider that the Acquisition would have a positive effect on the earnings base of the Group.

Working capital

It is noted that the Acquisition will be financed by the internal resources of the Group. We understand from the Directors that having taken into account the existing cash and bank balance position of the Group, the estimated capital expenditure of the Group in the near future and the banking facilities available to the Group, the Directors consider that the Acquisition would not have a material adverse impact on the normal operations of the Group. We also note that as at 31 December 2003, the Group had cash and bank balances of approximately HK\$554.9 million and had total available banking facilities of approximately HK\$362 million. Given that the Consideration of approximately HK\$47.2 million represents only about 5% of the total cash and bank balances and banking facilities available to the Group, we therefore consider that the Acquisition will not have a material adverse impact on the normal operations of the Group.

Net tangible asset value

Based on the Consideration and the consolidated net tangible assets of the Group of approximately HK\$849.4 million and of COSCO Insurance of approximately HK\$17 million as at 31st December 2003, we consider that the Acquisition will not have a material impact on the net tangible asset value of the Group.

CONTINUING CONNECTED TRANSACTIONS

Reasons

We note that the Continuing Connected Transactions have been and will continue to be conducted between COSCO Insurance and the members of COSCO Group in their usual and ordinary course of businesses. Given the fact that the COSCO Group is a major customer of COSCO Insurance accounted for approximately 80–90% of its sales, the nature of the Continuing Connected Transactions fall within the principal business of COSCO Insurance and will be conducted on normal commercial terms and on terms no

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less favourable than terms available to or from (as appropriate) independent third party, we concur with the Directors' view that it is in the interests of the Company and the Shareholders as a whole to continue engaging in the Continuing Connected Transactions.

Basis of determination

We note that insurance premium payable by members of COSCO Group to the insurance companies are on normal commercial terms and are negotiated on an arm's length basis whilst the brokerage income received by COSCO Insurance are based on the market commission rate and market conditions which are no less favourable than terms available to or from (as appropriate) independent third parties, we therefore consider the basis of determination for brokerage income received by COSCO Insurance incidental to the insurance policies purchased by members of the COSCO Group to be fair and reasonable.

Annual caps

The respective historical transaction value on the Continuing Connected Transactions for the last three consecutive years ended 31st December 2003 are summarised as follows:

Transaction	Amount (US\$'000/ HK\$'000)/% of		Amount (US\$'000/ HK\$'000)/% of		Amount (US\$'000/ HK\$'000)/% of	
	the Group's turnover for the year ended 31st December	% to the Group's net tangible assets for the year ended 31st December	the Group's turnover for the year ended 31st December	% to the Group's net tangible assets for the year ended 31st December	the Group's turnover for the year ended 31st December	% to the Group's net tangible assets for the year ended 31st December
	2001	2001	2002	2002	2003	2003
Provision of marine and general insurance brokerage services to COSCO Group	2,498/19,484 1.1%	1.3%	2,525/19,692 3.4%	2.0%	2,844/22,181 2.4%	2.6%

The Continuing Connected Transactions will be subject to, among other things, the Cap Amounts of approximately HK\$28.8 million, HK\$33.2 million and HK\$38.1 million for each of the three consecutive financial years ending 31st December 2004, 2005 and 2006. We understand from the Directors that in determining the Cap Amounts for the Continuing Connected Transactions for each of the three consecutive financial years ending 31st December 2004, 2005 and 2006 of the Group, the Directors have examined and considered the following factors: (i) the historical scale of operations of COSCO Insurance for the years of 2001 to 2003 as set out above; (ii) the most recent performance of COSCO Insurance as recorded in the unaudited accounts of COSCO Insurance from January to April 2004; (iii) the opinion of the management of COSCO Insurance on the business performance of COSCO Insurance in the next few years; (iv) the recent growth trend of the price of ocean vessel; (v) the premium rate movement and trend quoted by other insurance underwriters; and (vi) overall forecast on the number, age and size of vessels to be owned by COSCO Group in the next few years.

We have also: (i) reviewed the summary, the key components and the breakdown analysis which resulted in the amounts of the historical connected transactions between COSCO Insurance and members of COSCO Group during the previous three consecutive years ended 31 December 2003; and (ii) discussed with the management on various relevant assumptions and basis that have been taken into account the

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determination of the Cap Amounts and consider that the basis of the assumptions adopted by the Directors in arriving at the Cap Amounts to be fair and reasonable and have been prepared with due care and objectivity.

Having taken into account the above, we consider the basis of determining the annual caps for the Continuing Connected Transactions to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

RECOMMENDATION

Having considered the principal factors and reasons referred to the above, we consider that the Acquisition (and the Agreement) and the Continuing Connected Transactions (including the Cap Amounts) are in the interests of the Company and the Shareholders as a whole and the terms thereof are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the SGM to approve the Acquisition (and the Agreement) and the Continuing Connected Transactions (including the Cap Amounts).

Yours faithfully,

For and on behalf of

G. K. Goh Securities (H.K.) Limited

Alex Lau

Flavia Hung

Executive Vice President

Senior Vice President

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 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.

EXPERT

The following are the qualifications of the expert who has given an opinion or advice contained in this circular:

Name	Qualifications
G. K. Goh	G. K. Goh Securities (H.K.) Limited, a deemed licensed Corporation for types 1 (Dealing in Securities), 4 (Advising on Securities), 6 (Advising on Corporate Finance) and 9 (Asset Management) regulated activities under the SFO

G. K. Goh has given and has not withdrawn its written consent to the issue of this circular with the inclusion of the texts of its letter and references to its name, in the form and context in which they appear.

DISCLOSURE OF INTERESTS**(a) Disclosure of interests by the Directors**

As at the Latest Practicable Date, the interests of each Director and chief executive of the Company in the equity or debt securities of the Company or any associated corporation (within the meaning of the SFO) which (a) 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 and short positions which the Director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

(i) Interests in share options granted by the Company

Name of Director	Number of share options held <i>(Note)</i>
Dr. Wei Jiafu	1,800,000
Mr. Liu Guoyuan	1,800,000
Mr. Li Jianhong	1,800,000
Mr. Zhou Liancheng	1,800,000
Mr. Liu Hanbo	1,800,000
Mr. He Jiale	1,800,000
Mr. Chen Pisen	1,200,000
Mr. Meng Qinghui	1,200,000
Mr. Zhao Kaiji	1,200,000
Mr. Lin Libing	1,200,000

Note: These share options were granted on 26th November 2003 and are exercisable at HK\$0.57 per Share at any time between 23rd December 2003 and 22nd December 2008.

(ii) *Long positions in shares of associated corporation*

Name of associated corporation	Number of director	Number of shares held personal interests	Percentage of total issued share capital
COSCO Pacific Limited	Mr. Kwong Che Keung, Gordon	250,000	0.01%

(iii) *Long positions in underlying shares of equity derivatives of associated corporation*

Name of associated corporation	Number of Director	Number of share options held (Note)
COSCO Pacific Limited	Dr. Wei Jiafu	1,000,000
	Mr. Liu Guoyuan	1,000,000
	Mr. Li Jianhong	800,000
	Mr. Zhou Liancheng	800,000
	Mr. Liu Hanbo	700,000
	Mr. He Jiale	700,000
	Mr. Chen Pisen	250,000
	Mr. Meng Qinghui	800,000

Note: These share options were granted during the period from 28th October 2003 to 6th November 2003 and are exercisable at HK\$9.54 per share for 10 years from their respective date on which an offer is accepted or deemed to be accepted pursuant to the share option scheme adopted on 23rd May 2003.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Director and chief executive of the Company was interested in the equity or debt securities of the Company or any associated corporations (within the meaning of the SFO) which (a) 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 and short positions which the Director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

- (b) As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.
- (c) As at the date of Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.
- (d) As at the date of this circular, G. K. Goh did not have any shareholding in any member of the Group and it did not have any right or option to subscribe for or nominate persons to subscribe for shares in any member of the Group.
- (e) As at the date of this circular, none of the Directors nor G. K. Goh had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to the Company, or was proposed to be acquired, or disposed of by, or leased to the Company, since 31st December 2003, the date to which the latest published audited consolidated financial statements of the Company was made up.

SUBSTANTIAL SHAREHOLDERS

- (a) As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, the persons, other than a Director or chief executive of the Company, who had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Shareholder	Number of shares/Percentage of total issued share capital						
	Long position	%	Short position	%	Lending pool	%	Note
COSCO	829,360,511	58.80	—	—	—	—	(1)
COSCO Hong Kong	829,360,511	58.80	—	—	—	—	(1)
True Smart	527,060,904	37.37	—	—	—	—	(1)
COSCO Investments	302,299,607	21.43	—	—	—	—	(1)
J.P. Morgan Chase & Co.	99,772,000	7.07	—	—	31,000,000	2.20	(2)

Note:

- (1) Since COSCO Investments and True Smart are the wholly owned subsidiaries of COSCO Hong Kong which is in turn a wholly owned subsidiary of COSCO, the interests of COSCO Investments and True Smart are recorded as the interests of COSCO Hong Kong and in turn the interests of COSCO Hong Kong are recorded as the interests of COSCO.
- (2) The corporate interest of J.P. Morgan Chase & Co. was attributable on account through a number of its wholly owned subsidiaries and a non-wholly owned subsidiary, namely JF Asset Management Limited (99.99% control).

Save as disclosed above, there was no person known to the Directors or the chief executive of the Company, other than the Directors or the chief executive of the Company, who, as at the Latest Practicable Date, had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

- (b) As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, the persons, other than a Director or chief executive of the Company, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (other than the Company) and the amount of such persons' interests in such securities were as follows:

Name of subsidiary of the Company	Name of substantial Shareholder	Interest in the share capital/ equity interest	Percentage of total issued share capital
Cash Rich Enterprises Limited	Honour Capital International Limited	1,415 shares	14.15%
COSCO International Ship Trading Company Limited	中遠國際貿易公司 (COSCO International Trading Company)	200,000 shares	40.00%
Henan Xin Zhong Yi Electric Power Co., Limited	河南省建設投資總公司 (Henan Province Construction Investment General Company)	RMB40,000,000	10.00%

Name of subsidiary of the Company	Name of substantial Shareholder	Interest in the share capital/ equity interest	Percentage of total issued share capital
Henan Xin Zhong Yi Electric Power Co., Ltd.	New Central Development Co., Ltd.	RMB144,000,000	36.00%
New Central International Enterprises Co., Ltd.	COSCO (H.K.) Industry & Trade Holdings Ltd.	100,000 shares	10.00%
Shanghai COSCO Honour Property Development Limited	Honour Capital International Limited	(Note)	14.00%
Shenyang COSCO Yihe Property Development Co., Ltd.	廣州遠洋建設實業公司 (COSCO Guangzhou Construction Industry Company)	RMB29,000,000	29.00%
Shenyang COSCO Yihe Property Development Co., Ltd.	廣州頤和投資發展有限公司 (Guangzhou Yihe Investment & Development Co., Ltd.)	RMB20,000,000	20.00%
Shanghai COSCO Kansai Paint & Chemicals Co., Ltd.	Kansai Paint Co., Ltd.	US\$2,470,300	35.29%
Tianjin COSCO Kansai Paint & Chemicals Co., Ltd.	Kansai Paint Co., Ltd.	US\$1,764,500	35.29%

Note: Honour Capital International Limited was indirectly interested in approximately 14% equity interest of Shanghai COSCO Honour Property Development Limited through its approximately 14.15% interest in Cash Rich Enterprises Limited, which owned 99% equity interest in Shanghai COSCO Honour Property Development Limited.

Save as disclosed herein, there was no person known to the Directors or the chief executive of the Company, other than the Directors or the Chief executive of the Company, who, as at the Latest Practicable Date, was, directly or indirectly, interested in 10% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or any options in respect of such capital.

MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31st December 2003 (being the date of which the latest published audited accounts of the Company were made up).

LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation or arbitration of material importance is pending or threatened against the Company or any of its subsidiaries.

PROCEDURE FOR DEMANDING A POLL AT THE SGM

In accordance with the bye-laws of the Company, a poll may be demanded at the SGM by:

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

GENERAL

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The principal registrar of the Company is Codan Services Limited at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
- (c) The Hong Kong branch registrar of the Company is Abacus Share Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (d) The secretary of the Company is Ms. Wai Ching Sum, a qualified chartered secretary designated as FCIS FCS. She holds a Master of Science Degree in Financial Economics and a Master of Laws Degree in Chinese Law and Comparative Law.
- (e) The English text of this circular shall prevail over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the offices of Li & Partners at Rooms 2201–5, 22nd Floor, World Wide House, 19 Des Voeux Road Central, Hong Kong up to and including 24th June 2004 and at the SGM:

- (a) the Agreement;
- (b) the letter of advice from G. K. Goh to the Independent Board Committee, the text of which is set out on pages 15 to 19 in this circular;
- (c) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 13 to 14 in this circular; and
- (d) the written consent from G. K. Goh as referred to in the paragraph headed “Expert” above.

NOTICE OF SPECIAL GENERAL MEETING



COSCO International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 517)

NOTICE IS HEREBY GIVEN that a Special General Meeting of COSCO International Holdings Limited (the “**Company**”) will be held at 10:00 a.m. on 24th June 2004 at 49th Floor, COSCO Tower, 183 Queen’s Road Central, Hong Kong for the purpose of considering and, if thought fit, passing (with or without modifications) each of the following resolutions as an ordinary resolution of the Company:

ORDINARY RESOLUTIONS

1. “**THAT** the Acquisition (and the Agreement) and the Continuing Connected Transactions (including the Cap Amounts) as defined under the section headed “**Definitions**” and more particularly described in the letter from the board of directors of the Company included in the circular of the Company dated 4th June 2004 to its shareholders (the “**Circular**”) and all transactions contemplated thereby be and are hereby approved, ratified and confirmed, and **THAT** the entering into of the Agreement and the Continuing Connected Transactions and all other agreements, deeds and any other documents in relation thereto by the Company and its subsidiaries be approved, ratified and confirmed.”

2. “**THAT** the directors of the Company be and are hereby authorized to do all such things and execute all such documents as they in their absolute discretion deem fit or appropriate to give effect to the Acquisition (and the Agreement) and the Continuing Connected Transactions (including the Cap Amounts) and the implementation of all transactions contemplated thereunder.”

By order of the Board
COSCO International Holdings Limited
WAI Ching Sum
Company Secretary

Hong Kong, 4th June 2004

NOTICE OF SPECIAL GENERAL MEETING

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head Office and Principal Place
of Business in Hong Kong:*

47th Floor
COSCO Tower
183 Queen's Road
Central
Hong Kong

Notes:

1. The ordinary resolutions to be considered at the Special General Meeting will be decided by poll. On voting by poll, each shareholder of the Company shall have one vote for each share held in the Company.
2. A shareholder of the Company entitled to attend and vote at the Special General Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead in accordance with the bye-laws of the Company. A proxy need not be a shareholder of the Company.
3. A proxy form for use at the Special General Meeting is enclosed herewith.
4. To be valid, the proxy form, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be lodged at the branch share registrar of the Company in Hong Kong, Abacus Share Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not less than 48 hours before the appointed time for holding the Special General Meeting or any adjournment thereof (as the case may be) and in default thereof the form of proxy and such power or authority shall not be treated as valid.
5. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the Special General Meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.



COSCO International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 517)

PROXY FORM FOR SPECIAL GENERAL MEETING TO BE HELD ON 24TH JUNE 2004

I/We¹ _____ (name)
of _____ (address)
being the registered holder(s) of² _____ shares of
HK\$0.10 each in the capital of **COSCO International Holdings Limited** (“the Company”) hereby appoint³ the Chairman of the
Meeting or _____ (name)
of _____ (address)
as my/our proxy to vote for me/us on my/our behalf at the Special General Meeting (the “Meeting”) of the Company to be held at 49th
Floor, COSCO Tower, 183 Queen’s Road Central, Hong Kong at 10:00 a.m., on Thursday, 24th June 2004 (or at any adjournment
thereof) for the purpose of considering and, if thought fit, passing (with or without modifications) the resolutions as set out in the notice
convening the Meeting and at the Meeting (or at any adjournment thereof) to vote for me/us and in my/our name(s) in respect of such
resolutions as hereunder indicated, and, if no such indication is given, as my/our proxy thinks fit. My/Our proxy will also be entitled to
vote on any matter properly put to the Meeting in such manner as he/she thinks fit.

	Ordinary Resolutions	FOR ⁴	AGAINST ⁴
1.	To approve, ratify and confirm the Acquisition (and the Agreement) and the Continuing Connected Transactions (including the Cap Amounts) as defined under the section headed “Definitions” and more particularly described in the letter from the board of directors of the Company included in the circular of the Company dated 4th June 2004 to its shareholders and all the transactions contemplated hereby, and to approve, ratify and confirm the entering into of the Agreement and the Continuing Connected Transactions and all other agreements, deeds and any other documents in relation thereto by the Company and its subsidiaries ⁵ .		
2.	To authorize the directors of the Company to do all such things and execute all such documents as they in their absolute discretion deem fit or appropriate to give effect to the Acquisition (and the Agreement) and the Continuing Connected Transactions (and the Cap Amounts) and the implementation of all transactions contemplated thereunder ⁵ .		

Dated this _____ day of _____ 2004

Signature ⁶ _____

Notes:

- Full name(s) and address(es) must be inserted in **BLOCK CAPITALS**. The names of all joint registered holders should be stated.
- Please insert the number of shares registered in your name(s) to which this proxy relates. If no number is inserted, this proxy form will be deemed to relate to all the shares registered in your name(s).
- If any proxy other than the Chairman of the Meeting is preferred, strike out “the Chairman of the Meeting” and insert the name and address of the proxy desired in the space provided. **ANY ALTERATION MADE TO THIS PROXY FORM MUST BE INITIALED BY THE PERSON WHO SIGNS IT.**
- IMPORTANT:** If you wish to vote for a resolution, tick in the box marked “For”. If you wish to vote against a resolution, tick in the box marked “Against”. If no direction is given, your proxy may vote or abstain as he/she thinks fit in respect of that resolution. Your proxy will also be entitled to vote at his/her discretion on any resolution properly put to the Meeting other than those referred to in the notice convening the Meeting.
- The full text of these resolutions appear in the notice of the Meeting dated 4th June 2004, a copy of which is set out on pages 25 to 26 of the circular of the Company dated 4th June 2004.
- This proxy form must be signed by you or your attorney duly authorised in writing or, in the case of a corporation must be either under its common seal or under the hand of an officer or attorney duly authorised to sign the same.
- The ordinary resolutions 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.
- In order to be valid, this proxy form together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with the office of the Company’s branch share registrar in Hong Kong, Abacus Share Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding of the Meeting or the adjourned Meeting (as the case may be).
- In the case of joint registered holders of any shares, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint registered holders be present at the Meeting, either personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of such shares shall be accepted to the exclusion of the votes of the other joint registered holders.
- The proxy need not be a member of the Company but must attend the Meeting in person to represent you.
- Completion and return of this proxy form will not preclude you from attending and voting at the Meeting if you so wish. If you attend and vote at the Meeting, the authority of your proxy will be revoked.
- Members who are directly or indirectly interested in the connected transactions or continuing connected transactions set out in ordinary resolutions nos. 1 and 2, should abstain from voting under ordinary resolutions nos. 1 and 2.