

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

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

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

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 0517)**

### **DISCLOSEABLE TRANSACTION DISPOSAL OF INTEREST IN A JOINT VENTURE INVESTMENT**

---

A letter from the Board is set out on pages 1 to 6 of this circular.

13th July 2006

# CONTENTS

	<i>Page</i>
<b>DEFINITIONS</b> .....	ii
 <b>LETTER FROM THE BOARD</b>	
1. INTRODUCTION .....	1
2. THE AGREEMENT DATED 23RD JUNE 2006 .....	2
3. REASONS FOR AND BENEFITS OF THE DISPOSAL .....	5
4. FINANCIAL EFFECTS OF THE DISPOSAL .....	5
5. USE OF PROCEEDS .....	5
6. GENERAL .....	5
7. ADDITIONAL INFORMATION .....	6
 <b>APPENDIX - GENERAL INFORMATION</b> .....	 7

## DEFINITIONS

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

“Agreement”	the agreement dated 23rd June 2006 entered into between the Vendor and the Purchaser pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase a 54% interest of Henan XZY pursuant to the terms and conditions of such agreement
“Board”	the board of Directors
“Company”	COSCO International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Disposal (for use under the heading “Conditions”)
“Conditions”	the conditions precedent to Completion, as more particularly set out under the section headed “Conditions” of the “Letter from the Board” in this circular
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate amount payable by the Purchaser to the Vendor pursuant to the Agreement, as more particularly set out under the section headed “The Consideration” of the “Letter from the Board” 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 holding company of the Company
“COSCO Group”	COSCO and its subsidiaries (other than the Group)
“COSCO Hong Kong”	COSCO (Hong Kong) Group Limited, a company incorporated in Hong Kong with limited liability and the intermediate holding company of the Company
“Directors”	the directors of the Company
“Disposal”	the disposal of 54% interest in Henan XZY by the Vendor pursuant to the terms and conditions of the Agreement
“Group”	the Company and its subsidiaries
“Henan XZY”	河南新中益電力有限公司 (Henan Xin Zhong Yi Electric Power Co., Ltd*), a limited liability company established in the PRC

## DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	8th July 2006, 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
“PRC”	The People’s Republic of China which for the purpose of this circular excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Purchaser”	河南省建設投資總公司 (Henan Provincial Investment Company), a State-owned enterprise established under the laws of the PRC, a joint venture holder of Henan XZY which holds 10% interest in Henan XZY
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holders of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	新中原國際企業有限公司 (New Central International Enterprises Co., Limited), a company incorporated in Hong Kong with limited liability and an indirect non wholly-owned subsidiary of the Company, which holds 54% interest in Henan XZY
“working day(s)”	a day on which commercial banks in the PRC and Hong Kong are generally open for business (excluding Saturdays, Sundays and public holidays of both places)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“SGD”	Singapore dollars, the lawful currency of the Republic of Singapore
“USD”	United States Dollars, the lawful currency of the United States of America
“%”	per cent.
“*”	<i>for identification purpose only</i>

## DEFINITIONS

*For the purpose of this circular, the following exchange rates have been used for the conversion of Renminbi into Hong Kong dollars and US dollar into Hong Kong dollars for illustration purpose only: RMB1 = HK\$ 0.967, and US\$1=HK\$7.80. No representation is made that any amounts in RMB or US\$ or HK\$ have been, could have been or could be converted at the above rate or at any other rates or at all.*

## LETTER FROM THE BOARD



# COSCO International Holdings Limited

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 0517)**

*Executive Directors:*

Mr. Wei Jiafu (*Chairman*)  
Mr. Liu Guoyuan (*Vice-chairman*)  
Mr. Li Jianhong  
Mr. Zhou Liancheng  
Mr. Liu Hanbo (*Managing Director*)  
Mr. Jia Lianjun  
Mr. Wang Xiaoming  
Mr. Chen Pisen  
Mr. Meng Qinghui  
Mr. Lin Libing  
Mr. Wang Xiaodong

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

*Head Office and Principal Place of Business:*

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

*Independent Non-executive Directors:*

Mr. Chan Cheong Foon, Andrew  
Mr. Kwong Che Keung, Gordon  
Mr. Tsui Yiu Wa, Alec

13th July 2006

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION  
DISPOSAL OF INTEREST  
IN A JOINT VENTURE INVESTMENT**

### **1. INTRODUCTION**

Reference is made to the announcement of the Company dated 23rd June 2006 in which the Company announced that on 23rd June 2006, the Vendor and the Purchaser entered into the Agreement relating to the Disposal pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to acquire 54% interest in Henan XZY at a Consideration of RMB 43,800,000 (approximately HK\$42,355,000).

The Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. The purpose of this circular is to provide further information on the Agreement and the Disposal.

## LETTER FROM THE BOARD

### 2. THE AGREEMENT DATED 23RD JUNE 2006

#### A. The parties

- (i) Vendor: 新中原國際企業有限公司 (New Central International Enterprises Co., Limited), an indirect non wholly-owned subsidiary of the Company.
- (ii) Purchaser: 河南省建設投資總公司 (Henan Provincial Investment Company), a State-owned enterprise established under the laws of the PRC, a joint venture holder of Henan XZY which holds 10% interest in Henan XZY. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, save and except that the Purchaser is a joint venture holder of Henan XZY, the Purchaser and its ultimate beneficial owners are independent third parties and not connected persons of the Company.

#### B. Transfer of interest

Pursuant to the Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the 54% interest in Henan XZY.

After Completion, the respective interests in Henan XZY will be as follows: -

	<b>Interest in Henan XZY</b>
Purchaser	64%
New Central International Development Company Limited	36%

After Completion, the Vendor will no longer have any interests in Henan XZY and Henan XZY will cease to be an investment of the Company.

#### *Information on Henan XZY*

Henan XZY is a sino-foreign cooperative joint venture established in the PRC on 23rd February 1995 for a term of 20 years with a total investment amount and registered capital of RMB1,200,000,000 (approximately HK\$1,160,400,000) and RMB400,000,000 (approximately HK\$386,800,000) respectively and is currently owned as to 10% by the Purchaser, 54% by the Vendor and 36% by the other joint venture holder. The principal activity of Henan XZY is to manage and operate two sets 200MW coal-fired generators for a contractual period of 20 years starting from February 1995. The Vendor has contributed 54% of the registered capital of Henan XZY, whereas under the joint venture agreement (合作合同) dated 8th September 1994 of Henan XZY, the Vendor is currently entitled to 30% of the after-tax profit from Henan XZY per annum up to the end of the joint venture period for profit after taxation up to RMB160,000,000 (approximately HK\$154,720,000) and 54% of the after-tax profit of Henan XZY on the excess portion exceeding RMB160,000,000 (approximately HK\$154,720,000). Henan XZY had incurred a loss of RMB28,135,000 (approximately HK\$27,207,000) for the year ended 31st December 2005 and had never made profit after taxation in excess of RMB160,000,000 since 1st October 2001. The Vendor has no majority of the voting rights in Henan XZY which means that Henan XZY cannot deal with any matters without participation of the other joint venture holders of Henan XZY, and any amendments to the constitution of Henan XZY must be subject to unanimous approval from all directors of Henan XZY present in its board meeting. In accordance to the joint venture agreement, all remaining assets of Henan XZY will be reverted to the PRC joint venture holder(s) upon the expiry of joint venture period.

## LETTER FROM THE BOARD

Save for the above-mentioned facts, the Group has no power to govern the financial and operating policies generally accompanying Henan XZY. As such, Henan XZY was treated as a fixed return joint venture before the adoption of Hong Kong Financial Reporting Standards (“HKFRS”). Fixed return joint venture is carried at cost less accumulated amortization. Amortization is provided to write off the investment cost of joint venture over the joint venture period on a basis whereby the annual investment income less amortization for the year would produce a constant periodic rate of return on the carrying amount of the investment in the joint venture. Provision is made when there is a permanent diminution in value of the investment in the joint venture. Henan XZY is treated as available-for-sale financial assets, following the Group’s adoption of HKFRS in year 2005. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Henan XZY has never been accounted for as a subsidiary in the accounts of the Company. It has only been treated as “other investment in a joint venture” in the financial statements of the Group.

### *Financial information on Henan XZY*

Based on the PRC audited accounts, the net assets of Henan XZY as at 31st December 2005 amounted to approximately RMB617,093,000 (approximately HK\$596,729,000) and the profit/(loss) before and after taxation of Henan XZY for the two years ended 31st December 2004 and 2005 are as follows:

	For years ended 31st December	
	2005	2004
	RMB/HK\$ (approximately)	RMB/HK\$ (approximately)
Net (loss)/profit before taxation	(28,135,000)/(27,207,000)	15,376,000/14,869,000
Net (loss)/profit after taxation	(28,135,000)/(27,207,000)	13,013,000/12,584,000

### **C. The Consideration**

The aggregate amount payable by the Purchaser under the Agreement shall be RMB43,800,000 (approximately HK\$42,355,000).

The Consideration is payable by the Purchaser in the following manner: -

- (i) the amount of RMB4,380,000 (approximately HK\$4,235,500), which is equivalent to 10% of the Consideration, shall be paid by the Purchaser within 3 working days from signing of the Agreement;
- (ii) the amount of RMB17,520,000 (approximately HK\$16,942,000), which is equivalent to 40% of the Consideration, shall be paid by the Purchaser within 3 working days upon the Purchaser having acknowledged receipt of the approval documents issued by the relevant PRC government original approval authority in relation to the transfer of interest of joint venture holder of Henan XZY and the new approval certificate (Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macao and Overseas Chinese in the PRC) (中華人民共和國台港澳僑投資企業批准證書) in respect of the transaction contemplated under the Agreement;

## LETTER FROM THE BOARD

- (iii) the amount of RMB8,760,000 (approximately HK\$8,471,000), which is equivalent to 20% of the Consideration, shall be paid by the Purchaser within 3 working days from completion of handover and execution of handover documents; and
- (iv) the amount of RMB13,140,000 (approximately HK\$12,706,400), which is equivalent to 30% of the Consideration, shall be paid by the Purchaser within 3 working days from the completion of change in business license and issue of the new business license of Henan XZY by the relevant PRC government registration authority.

All the above-mentioned payments of Consideration shall be made by the Purchaser by way of depositing the amount into a bank account designated by the Vendor.

The Consideration was arrived at arm's length negotiations between the Vendor and the Purchaser, and was determined after taking into account the financial performance of Henan XZY in the recent years which shows that the cash distributions of Henan XZY have been decreasing since 1st October 2001 and it had also incurred a loss of RMB28,135,000 (approximately HK\$27,207,000) for the year ended 31st December 2005, and the carrying amount of the investment in Henan XZY being HK\$29,935,000 as at 31st December 2005.

### **D. Conditions**

Completion of the Agreement is conditional upon satisfaction of all of the following conditions: -

- (i) the shareholders or head of department of the Purchaser having issued a written approval in respect of the acquisition of the interest by the Purchaser as contemplated under the Agreement in accordance with the relevant laws and regulations and/or articles of association of the Purchaser;
- (ii) in accordance with the requirements under the Listing Rules, if necessary, having obtained the approval from the Shareholders and/or the Stock Exchange, and/or made proper announcement;
- (iii) the other joint venture holder(s) of Henan XZY, not being a party of the Agreement, having approved the transfer of the interest contemplated under the Agreement;
- (iv) the Vendor and the Purchaser having obtained approval from its respective board of directors and/or shareholders according to its respective articles of association in respect of the transfer of the interest contemplated under the Agreement;
- (v) the board of directors of Henan XZY having approved the Vendor to sell and the Purchaser to acquire the interest; and
- (vi) having obtained the following documents issued from the relevant PRC government authority: -
  - (a) approval documents in respect of the transfer of interest as contemplated under the Agreement and the new approval certificate (Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macao and Overseas Chinese in the PRC) (中華人民共和國台港澳僑投資企業批准證書);

## LETTER FROM THE BOARD

- (b) approval documents in respect of the amendments in the joint venture agreement (合作合同) of Henan XZY issued by the Purchaser and the remaining joint venture holder(s) of Henan XZY; and
- (c) approval documents in respect of the amendments in the articles of association (章程) of Henan XZY issued by the Purchaser and the other joint venture holder(s) of Henan XZY and approved by the board of directors of Henan XZY.

If the Conditions cannot be fulfilled on or before 31st December 2006 or such later date as the parties to the Agreement may agree in writing, the Agreement shall automatically terminate.

### **3. REASONS FOR AND BENEFITS OF THE DISPOSAL**

Throughout these years, the Company has been positioning itself on ship trading and supplying services as strategic development which has made a remarkable progress. By acquiring interests in marine paint and coatings manufacturers, the marine insurance brokerage and the marine equipment and spare parts trading company from the COSCO Group and the disposing of the investment properties, the Group has gradually underpinned success to become one of the major ship trading and supplying services providers in the PRC.

The expansions in ship trading and supplying services led the Group to have a stable and healthy growth. The Group will continue to focus on the ship trading and supplying services. The Board believes that realizing this non-core business will further enable the Group to concentrate on its ship trading and supplying services businesses.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Disposal are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **4. FINANCIAL EFFECTS OF THE DISPOSAL**

Based on the carrying amount of the investment in Henan XZY as at 31st December 2005, the Group estimates that the expected net gain from the Disposal (after deducting the related transaction costs) will be approximately HK\$12,000,000 which will result in an increase in the net assets of the Group. After Completion, the Group's investment in Henan XZY will be realised in cash, resulting in a positive effect on the Group's working capital position.

### **5. USE OF PROCEEDS**

The proceeds will provide the Group with additional working capital or cash resources for further investments. The Group has not committed to any investment plan which requires the use of the proceeds.

### **6. GENERAL**

The Vendor is principally engaged in investment holding. The Group is principally engaged in ship trading and supplying services, other business operations include property development and property investment.

## LETTER FROM THE BOARD

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the principal business activity of the Purchaser is investment holding in power generating, cement manufacturing, paper manufacturing, property development and road toll projects.

The Disposal contemplated under the Agreement constitutes a discloseable transaction for the Company under the Listing Rules.

### 7. ADDITIONAL INFORMATION

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

Yours faithfully,  
By order of the Board  
**COSCO International Holdings Limited**  
**LIU Hanbo**  
*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 contained herein misleading.

## 2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company 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 are 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 he is taken or deemed to have under such provisions of the SFO) or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or are required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

### (i) Directors' interest in share options granted by the Company

Name of Director	Exercise price (HK\$)	Number of share options as at 1st January 2006	Number of share options as at the Latest Practicable Date	Approximate percentage of issued share capital of the Company as at the Latest Practicable Date	Notes
Mr. Wei Jiafu	0.57	1,800,000	1,800,000	0.125%	(1), (3), (4)
	1.37	1,200,000	1,200,000	0.083%	(2), (3), (4)
Mr. Liu Guoyuan	0.57	1,800,000	1,800,000	0.125%	(1), (3), (4)
	1.37	1,200,000	1,200,000	0.083%	(2), (3), (4)
Mr. Li Jianhong	0.57	1,800,000	1,800,000	0.125%	(1), (3), (4)
	1.37	1,200,000	1,200,000	0.083%	(2), (3), (4)
Mr. Zhou Liancheng	0.57	1,800,000	1,800,000	0.125%	(1), (3), (4)
	1.37	1,200,000	1,200,000	0.083%	(2), (3), (4)
Mr. Liu Hanbo	0.57	1,800,000	1,800,000	0.125%	(1), (3), (4)
	1.37	1,200,000	1,200,000	0.083%	(2), (3), (4)
Mr. Chen Pisen	0.57	1,200,000	–	–	(1), (3), (4)
	1.37	800,000	–	–	(2), (3), (4)
Mr. Meng Qinghui	0.57	1,200,000	1,200,000	0.083%	(1), (3), (4)
	1.37	800,000	800,000	0.056%	(2), (3), (4)
Mr. Lin Libing	0.57	1,200,000	1,200,000	0.083%	(1), (3), (4)
	1.37	800,000	800,000	0.056%	(2), (3), (4)
Mr. Wang Xiaodong #	0.57	1,200,000	1,000,000	0.070%	(1), (3), (4)
	1.37	800,000	800,000	0.056%	(2), (3), (4)

# Appointed as Executive Director on 25th January 2006. Prior to his appointment, he had the entitlement of the share options.

*Notes:*

- (1) Pursuant to the share option scheme of the Company adopted on 17th May 2002 (the “Share Option Scheme”), 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.
- (2) These share options were granted on 2nd December 2004 pursuant to the Share Option Scheme and are exercisable at HK\$1.37 per share at any time between 29th December 2004 and 28th December 2014.
- (3) These share options represent personal interest held by the relevant participants as beneficial owner.
- (4) From 1st January 2006 to the Latest Practicable Date, none of the share options of the above Directors were cancelled or lapsed.

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

<b>Name of Director</b>	<b>Name of associated corporations</b>	<b>Nature of interest and capacity</b>	<b>Total number of shares held as at the Latest Practicable Date</b>	<b>Approximate percentage of issued share capital of the associated corporation as at the Latest Practicable Date</b>	<b>Note</b>
Mr. Wei Jiafu	COSCO Corporation (Singapore) Limited (“COSCO SGP”)	Beneficial owner	1,900,000	0.086%	(1)
Mr. Li Jianhong	COSCO SGP	Beneficial owner	1,300,000	0.059%	(1)
Mr. Zhou Liancheng	COSCO SGP	Beneficial owner	1,600,000	0.072%	(1)
Mr. Kwong Che Keung, Gordon	COSCO Pacific Limited (“COSCO Pacific”)	Beneficial owner	250,000	0.011%	

*Note:*

- (1) Adjustment was made as a result of the approval of the sub-division of every 1 ordinary share of SGD0.2 each divided into 2 ordinary shares of SGD0.1 each by shareholders of COSCO SGP at the extraordinary general meeting held on 17th January 2006.

## (iii) Directors' interest in share options granted by associated corporations

Name of Director	Name of associated corporations	Exercise price	Number of share options as at 1st January 2006	Number of share options as at the Latest Practicable Date	Approximate percentage of issued share capital of the associated corporation as at the Latest Practicable Date	Exercisable period	Notes
Mr. Wei Jiafu	COSCO Pacific	HK\$9.54	500,000	400,000	0.018%	30.10.2003-29.10.2013	(1),(5),(6)
	COSCO Pacific	HK\$13.75	1,000,000	1,000,000	0.045%	03.12.2004-02.12.2014	(2),(5),(6)
	COSCO SGP	SGD0.807	900,000	–	–	06.04.2006-05.04.2010	(3),(5),(6)
	COSCO SGP	SGD1.23	–	1,100,000	0.050%	21.02.2007-20.02.2011	(4),(5),(6)
Mr. Liu Guoyuan	COSCO Pacific	HK\$13.75	1,000,000	500,000	0.023%	29.11.2004-28.11.2014	(2),(5),(6)
Mr. Li Jianhong	COSCO Pacific	HK\$9.54	400,000	300,000	0.014%	29.10.2003-28.10.2013	(1),(5),(6)
	COSCO Pacific	HK\$13.75	1,000,000	1,000,000	0.045%	02.12.2004-01.12.2014	(2),(5),(6)
	COSCO SGP	SGD0.807	600,000	–	–	06.04.2006-05.04.2010	(3),(5),(6)
	COSCO SGP	SGD1.23	–	700,000	0.032%	21.02.2007-20.02.2011	(4),(5),(6)
Mr. Zhou Liancheng	COSCO Pacific	HK\$9.54	194,000	–	–	29.10.2003-28.10.2013	(1),(5),(6)
	COSCO Pacific	HK\$13.75	1,000,000	1,000,000	0.045%	29.11.2004-28.11.2014	(2),(5),(6)
	COSCO SGP	SGD0.807	600,000	–	–	06.04.2006-05.04.2010	(3),(5),(6)
Mr. Liu Hanbo	COSCO Pacific	HK\$9.54	700,000	500,000	0.023%	06.11.2003 - 05.11.2013	(1),(5),(6)
	COSCO Pacific	HK\$13.75	800,000	800,000	0.036%	30.11.2004-29.11.2014	(2),(5),(6)
Mr. Chen Pisen	COSCO Pacific	HK\$9.54	50,000	–	–	29.10.2003-28.10.2013	(1),(5),(6)
	COSCO Pacific	HK\$13.75	600,000	200,000	0.009%	06.12.2004-05.12.2014	(2),(5),(6)
Mr. Meng Qinghui	COSCO Pacific	HK\$13.75	1,000,000	700,000	0.032%	29.11.2004-28.11.2014	(2),(5),(6)

*Notes:*

- (1) Pursuant to the share option scheme of COSCO Pacific (“Share Option Scheme of COSCO Pacific”), an associated corporation of the Company, adopted on 23rd May 2003, 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 at any time within ten years from their respective date on which an offer is accepted or deemed to be accepted.
- (2) These share options were granted pursuant to the Share Option Scheme of COSCO Pacific, during the period from 25th November 2004 to 16th December 2004 and are exercisable at HK\$13.75 per share at any time within ten years from their respective date on which an offer is accepted or deemed to be accepted.

- (3) These share options were granted by COSCO SGP on 6th April 2005. Adjustment was made as a result of the approval of the sub-division of every 1 ordinary share of SGD0.2 each divided into 2 ordinary shares of SGD0.1 each by shareholders of COSCO SGP at the extraordinary general meeting held on 17th January 2006.
- (4) These share options were granted by COSCO SGP on 21st February 2006.
- (5) These share options represent personal interest held by the relevant participants as beneficial owner.
- (6) From 1st January 2006 to the Latest Practicable Date, none of the share options of the above Directors were cancelled or lapsed.

**(iv) Directors' interest in share appreciation rights granted by associated corporation**

Name of Director	Name of associated corporation	Exercise price (HK\$)	Number of units as at 1st January 2006	Number of units as at the Latest Practicable Date	Percentage of total issued share capital as at the Latest Practicable Date	Notes
Mr. Wei Jiafu	China COSCO Holdings Company Limited ("China COSCO")	3.195	900,000	900,000	0.040%	(1), (2), (3)
Mr. Liu Guoyuan	China COSCO	3.195	600,000	600,000	0.027%	(1), (2), (3)
Mr. Li Jianhong	China COSCO	3.195	600,000	600,000	0.027%	(1), (2), (3)
Mr. Jia Lianjun <sup>Δ</sup>	China COSCO	3.195	75,000	75,000	0.003%	(1), (2), (3)

<sup>Δ</sup> *Appointed as Executive Director on 25th January 2006.*

*Notes:*

- (1) These share appreciation rights were granted by China COSCO ("Share Appreciation Rights") in units with each unit representing one H share of China COSCO, on 16th 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 at any time between 16th December 2007 and 15th December 2015.
- (2) These Share Appreciation Rights represent personal interest held by the relevant Director as beneficial owner.
- (3) From 1st January 2006 to the Latest Practicable Date, none of the Share Appreciation Rights of the above Directors were cancelled or lapsed.

Save as disclosed herein, as at the Latest Practicable Date:

- (i) none of Directors and chief executive of the Company had any interests and short positions 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 are 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 he is taken or deemed to have under such provisions of the SFO) or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or are required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules to be notified to the Company and the Stock Exchange;

- (ii) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group taken as a whole; and
- (iii) none of the Directors had any direct or indirect interest in any assets acquired or disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, the Company or any of its subsidiaries since 31 December 2005, the date to which the latest published audited accounts of the Group were made up.

### 3. SUBSTANTIAL SHAREHOLDERS

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

#### (a) Long positions in shares of the Company

Name	Capacity	Number of shares	Percentage of issued share capital of the Company as at the Latest Practicable Date
COSCO	Controlled corporation <sup>(Note)</sup>	829,360,511	57.70%
COSCO Hong Kong	Controlled corporation <sup>(Note)</sup>	829,360,511	57.70%
True Smart International Limited (“True Smart”)	Beneficial owner <sup>(Note)</sup>	829,360,511	57.70%

*Note:* Since True Smart is a wholly-owned subsidiary of COSCO Hong Kong which is in turn a wholly-owned subsidiary of COSCO, the interests of True Smart is deemed to be the interests of COSCO Hong Kong and in turn the interests of COSCO Hong Kong are deemed to be the interests of COSCO under the SFO. Mr. Wei Jiafu, Mr. Liu Guoyuan, Mr. Zhou Liancheng, Mr. Jia Lianjun and Mr. Wang Xiaoming, Directors of the Company, are also directors of COSCO Hong Kong.

*(b) Long positions in shares of the subsidiaries of the Company*

Name of subsidiary of the Company	Name of substantial shareholder	Interest in share capital/equity interest	Percentage of issued share capital of the subsidiary of the Company
Cash Rich Enterprises Limited	Dragon Eagle Investments Limited	1,415 ordinary shares	14.15%
COSCO International Ship Trading Company Limited	中遠國際貿易公司 (COSCO International Trading Company*)	200,000 ordinary shares	40.00%
New Central International Enterprises Co., Ltd.	COSCO (H.K.) Industry & Trade Holdings Ltd.	100,000 ordinary shares	10.00%
Shanghai COSCO Honour Property Development Limited	Dragon Eagle Investments 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*)	registered capital of RMB29,000,000 (equivalent to approximately HK\$28,043,000)	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.*)	registered capital of RMB20,000,000 (equivalent to approximately HK\$19,340,000)	20.00%
Shanghai COSCO Kansai Paint & Chemicals Co., Ltd.	Kansai Paint Co., Ltd.	registered capital of US\$2,470,300 (equivalent to approximately HK\$19,268,000)	35.29%
Tianjin COSCO Kansai Paint & Chemicals Co., Ltd.	Kansai Paint Co., Ltd.	registered capital of US\$1,764,500 (equivalent to approximately HK\$13,763,000)	35.29%
Zhuhai COSCO Kansai Paint & Chemicals Co., Ltd.	Kansai Paint Co., Ltd.	registered capital of US\$2,011,530 (equivalent to approximately HK\$15,680,000)	35.29%

*Note:* Dragon Eagle Investments Limited was indirectly interested in approximately 14% equity interest of Shanghai COSCO Honour Property Development Limited through its 14.15% interest in Cash Rich Enterprises Limited, which owns 99% equity interest in Shanghai COSCO Honour Property Development Limited.

Save as disclosed herein, as at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, no persons (other than a director or the chief executive of the Company) has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, 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.

#### 4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

#### 5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, the following Directors (including their respective associates) are considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules, particulars of which are set out below:

<b>Name of Director</b>	<b>Name of the entities which are considered to compete or likely to compete with the businesses of the Group</b>	<b>Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group</b>	<b>Nature of Director's interest in the entity</b>
Mr. Wei Jiafu	Companies controlled by COSCO	- Property investment and development - Ship trading and supplying services	Director
Mr. Liu Guoyuan	COSCO Hong Kong and its associated companies	- Property investment and development - Ship trading and supplying services	Director
Mr. Li Jianhong	Companies controlled by COSCO	- Property investment and development - Ship trading and supplying services	Director
Mr. Zhou Liancheng	COSCO Hong Kong and its associated companies	- Property investment and development - Ship trading and supplying services	Director

Name of Director	Name of the entities which are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of Director's interest in the entity
Mr. Liu Hanbo	Soundwill Holdings Limited	- Property investment and development	Non-executive Vice-chairman
Mr. Jia Lianjun	Companies controlled by COSCO	- Property investment and development - Ship trading and supplying services	Director
Mr. Wang Xiaoming	COSCO Hong Kong and its associated companies	- Property investment and development - Ship trading and supplying services	Director
Mr. Chen Pisen	Companies controlled by COSCO Hong Kong	- Property investment and development - Ship trading and supplying services	Director
Mr. Meng Qinghui	Soundwill Holdings Limited	- Property investment and development	Non-executive Director

As the Board is independent from the board of directors of the aforesaid companies, and as none of the above Directors control the Board, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of these companies.

Save as disclosed herein, none of the Directors and their respective associates had any interest in a business which competes or may compete with the business of the Group.

## 6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in a litigation or arbitration proceedings of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any member of the Group.

## 7. GENERAL

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The Hong Kong head office and principal place of business of the Company is situated at 47th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong.
- (b) The Company's branch share registrar in Hong Kong is Abacus Share Registrars Limited situated at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

- (c) The company secretary of the Company is Ms. Chiu Shui Suet, a qualified solicitor in Hong Kong and an associate member of both The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries.
- (d) The qualified accountant of the Company is Mr. Lo Siu Leung Tony, a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.