

## Other Information

### INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June 2004 (2003: Nil).

### SHARE OPTIONS

The Company adopted a share option scheme (the "Scheme") on 17th May 2002 and the Scheme will expire on 16th May 2012. Details of the movements of the share options granted under the Scheme, during the period are set out below:

	Number of share options					Outstanding as at 30th June 2004	Percentage of total issued share capital
	Outstanding at 1st January 2004	Granted during the period	Exercised during the period	Lapsed during the period	Changed category during the period		
<b>Directors</b>							
Mr. Wei Jiafu	1,800,000	—	—	—	—	1,800,000	0.128%
Mr. Liu Guoyuan	1,800,000	—	—	—	—	1,800,000	0.128%
Mr. Li Jianhong	1,800,000	—	—	—	—	1,800,000	0.128%
Mr. Zhou Liancheng	1,800,000	—	—	—	—	1,800,000	0.128%
Mr. Liu Hanbo	1,800,000	—	—	—	—	1,800,000	0.128%
Mr. He Jiale	1,800,000	—	—	—	—	1,800,000	0.128%
Mr. Chen Pisen	1,200,000	—	—	—	—	1,200,000	0.085%
Mr. Meng Qinghui	1,200,000	—	—	—	—	1,200,000	0.085%
Mr. Zhao Kaiji	1,200,000	—	—	—	—	1,200,000	0.085%
Mr. Lin Libing	1,200,000	—	—	—	—	1,200,000	0.085%
<b>Ex-director</b>							
Mr. Liang Yanfeng	1,200,000	—	—	—	—	1,200,000	0.085%
<b>Continuous contract employees of the Group</b>							
	28,000,000	—	(6,702,000)	(500,000)	(1,000,000)	19,798,000	1.403%
<b>Other participants</b>	34,200,000	—	(9,550,000)	—	1,000,000	25,650,000	1.818%

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.
- Other participants include employees of COSCO Group (other than the directors of the Company and the continuous contract employees of the Group).

## Other Information

3. Mr. Liang Yanfeng resigned as an executive director of the Company on 16th April 2004. The share options granted to him on 26th November 2003 were included in the category of "Ex-director" during the period.
4. The share options represent personal interest held by the relevant participants as beneficial owner.
5. The weighted average closing price of the Shares immediately before the dates on which the share options were exercised during the period was HK\$1.34.
6. The share options granted are not recognised in the financial statements until they are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of the share options, the shares to be issued will be recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares will be recorded by the Company in the share premium account. Share options which have lapsed or been cancelled will be deducted from the outstanding options. Save for the share options referred to the above table which have lapsed during the period ended 30th June 2004, no other share option has lapsed or been cancelled during the period ended 30th June 2004.
7. The Company adopted Black-Scholes Options Pricing Model (a common valuation methodology for share options) to calculate the value of share options. The fair value for the share options was HK\$0.27 at the date of grant with assumptions as follows:
  - (i) interest rate of 10-year Stock Exchange Fund Notes of 4.4% per annum as the risk-free interest rate;
  - (ii) expected life of 5 years; and
  - (iii) expected volatility of 50%, being the annualized volatility of the closing price of the shares from 24th August 2003 to 25th November 2003.

The value of the share options is subject to a number of assumptions and with regard to the limitation of the model. Therefore the value may be subjective and difficult to determine.

Particulars and movements of the Company's share options during the six months ended 30th June 2004 are also set out in note 11 to the financial statements.

Other Information

**DIRECTORS' INTERESTS IN SECURITIES**

As at 30th June 2004, the interests and short positions of the directors and chief executives of the Company in the shares or underlying shares or the equity interest or debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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 has 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 Issuers to be notified to the Company and the Stock Exchange were as follows:

**1. Long positions in shares of associated corporation**

Name of associated corporation	Name of director	Number of shares held	Percentage of total issued share capital
COSCO Pacific Limited ("COSCO Pacific")	Mr. Kwong Che Keung, Gordon	250,000	0.012%

Note:

The shares represent personal interest held by Mr. Kwong as beneficial owner.

**2. Long positions in underlying shares of equity derivatives of associated corporation**

Name of associated corporation	Director	Number of share options				Outstanding as at 30th June 2004	Percentage of total issued share capital
		Outstanding as at 1st January 2004	Granted during the period	Exercised during the period	Lapsed during the period		
<b>Directors</b>							
COSCO Pacific	Mr. Wei Jiafu	1,000,000	—	—	—	1,000,000	0.046%
COSCO Pacific	Mr. Liu Guoyuan	1,000,000	—	—	—	1,000,000	0.046%
COSCO Pacific	Mr. Li Jianhong	800,000	—	—	—	800,000	0.037%
COSCO Pacific	Mr. Zhou Liancheng	800,000	—	—	—	800,000	0.037%
COSCO Pacific	Mr. Liu Hanbo	700,000	—	—	—	700,000	0.032%
COSCO Pacific	Mr. He Jiale	700,000	—	—	—	700,000	0.032%
COSCO Pacific	Mr. Chen Pisen	250,000	—	—	—	250,000	0.012%
COSCO Pacific	Mr. Meng Qinghui	800,000	—	—	—	800,000	0.037%
<b>Ex-director</b>							
COSCO Pacific	Mr. Liang Yanfeng	800,000	—	—	—	800,000	0.037%

## Other Information

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. The options were accepted by the directors during the period from 28th October 2003 to 6th November 2003.
- The share options represent personal interest held by the relevant director as beneficial owner.

Save as disclosed above and in the section headed "Share Options", as at 30th June 2004, none of the directors and the chief executives of the Company had any interest and short position in the shares, underlying shares or, the equity interest and debentures 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 has 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 Issuers to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS

As at 30th June 2004, the following persons and entities, other than a director or chief executive of the Company, had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholder	Number of shares/Percentage of total issued share capital						
	Long position	%	Short position	%	Lending pool	%	Note
COSCO	829,360,511	58.79	—	—	—	—	(1)
COSCO Hong Kong	829,360,511	58.79	—	—	—	—	(1)
True Smart International Limited ("True Smart")	527,060,904	37.36	—	—	—	—	(1)
COSCO Investments Limited ("COSCO Investments")	302,299,607	21.43	—	—	—	—	(1)
J.P. Morgan Chase & Co.	94,662,000	6.71	—	—	35,500,000	2.52	(2)

Note:

- 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 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.
- 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, as at 30th June 2004, the Company has not been notified of any person or entity had an interests or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

**SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDERS**

Under Rule 13.21 of the Listing Rules, the Company is required to disclose the following loan agreements which contain covenants requiring specific performance obligations of the controlling shareholder:

1. A HK\$700,970,000 secured term loan facility was granted by Bank of China (Hong Kong) Limited to the Company in August 1998 and amended on 9th June 2001 and 20th October 2003 to finance the acquisition of the eight floors of COSCO Tower. The secured term loan facility is repayable on or before 19th October 2008. The loan is guaranteed unconditionally and irrevocably by COSCO Hong Kong which undertakes, amongst other conditions, that:
  - (a) it will procure that COSCO will maintain an equity or shareholding interest, either directly or indirectly, giving rise to more than 50% of the voting rights attached to the issued share capital of COSCO Hong Kong and will ensure that such equity or shareholding interest is not disposed of in any way by COSCO and remains free from any security interest (save for any of such existing thereon prior to the date of the guarantee);
  - (b) it will maintain an equity interest, either directly or indirectly, of not less than 35% in COSCO Pacific, a fellow subsidiary of the Company, and such equity interest remains free from any security interest (save for any of such existing thereon prior to the date of the guarantee); and
  - (c) it will procure that the ultimate holding company will maintain an equity interest, either directly or indirectly, of not less than 35% in the Company and such equity or shareholding interest being the single largest equity or shareholding interest in the Company.
2. An un-secured loan and credit facility of US\$45,000,000 to finance the general working capital and corporate funding requirement of the Company was granted by China Merchants Bank, Hong Kong Branch, The Hongkong and Shanghai Banking Corporation Limited and Hang Seng Bank Limited, Shanghai Branch to the Company on 8th March 2004. The un-secured loan and credit facility will be repayable on or before 8th March 2009. The loan is guaranteed unconditionally and irrevocably by COSCO Hong Kong which undertakes, amongst other conditions, that:
  - (a) it shall directly or indirectly beneficially maintain an equity or shareholding interest of not less than 35% of the voting rights attached to the issued share capital of each of the Company and COSCO Pacific, which shall maintain their listings on the Stock Exchange; and
  - (b) it shall be more than 50% beneficially owned by COSCO.

## *Other Information*

### **PURCHASE, SALE OR REDEMPTION OF LISTED SHARES**

During the six months ended 30th June 2004, the Company and any of its subsidiaries had not redeemed, purchased or sold any of the Company' shares.

### **CORPORATE GOVERNANCE**

The audit committee of the Company (the "Audit Committee"), consists of two independent non-executive Directors and one non-executive Director in which two of them are Hong Kong Certified Public Accountant. The Audit Committee is chaired by an independent non-executive Director. The Audit Committee reviews important accounting policies and supervising the Company's financial reporting process; monitoring the performance of both the internal and external auditors; reviewing and examining the effectiveness of the Company's financial reporting procedures and internal controls; ensuring compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, and internal rules and procedures approved by the Board. The Audit Committee had discussed the internal controls and financial reporting matters with management and reviewed the condensed consolidated Interim Financial Statements of the Group for the six months ended 30th June 2004.

### **CODE OF BEST PRACTICE**

The Company has adopted a code of conduct regarding securities transactions of directors and employees (the "Code") no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. To ensure directors' dealing in the securities of the Company are conducted in accordance with the Model Code, a committee (the "Committee") comprising the Chairman, the Vice-chairman, the Managing Director and the Deputy Managing Directors was set up to deal with such transactions. Prior to any dealing in the securities of the Company, a Director is required to notify the Chairman or the Vice Chairman in writing and obtain a written acknowledgement from the Committee. The Company has made specific enquiry of all Directors regarding any non-compliance with the Code during the six months ended 30th June 2004 and all Directors confirmed that they have fully complied with the required standard set out in the Model Code during the period.

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not at any time during the six months ended 30th June 2004 in compliance with the Code of Best Practice in Appendix 14 to the Listing Rules.