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COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT

CONNECTED TRANSACTION

The Group has entered into Short-Term Leases with COSCO Group on 22nd August 2001 and intends to continue entering into Short-Term Leases with the COSCO Group from time to time in future.

Since COSCO, the ultimate holding company of the Company, is a connected person within the Listing Rules, the entering into of the Short-Term Leases between the Group and the COSCO Group therefore constitutes connected transactions of the Group under the Listing Rules.

Background

The Group is engaged in the business of, inter alia, container leasing. In 1994, COSCO undertook, inter alia, to the Group that it would extend any then existing container leasing contracts with the Group to a total term of 10 years and would enter into new container leasing contracts for fixed terms of 10 years (“the Undertaking”). A summary of the Undertaking is set out on page 35 of the prospectus of the Company dated 6 December 1994. Since such arrangements with the COSCO Group would constitute connected transactions, the Company had in 1994 applied to and had been granted by the Stock Exchange a waiver from strict compliance with Chapter 14 of the Listing Rules.

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Due to limited globalized computer and marketing/operation network available to the Group at that time, the Group could only focus its business on granting container leases for a term of 10 years. It was not then anticipated that Short-Term Leases would feasibly be granted to the COSCO Group.

The rapid growth and expansion of the Group worldwide over the past few years has enabled the Group to expand its business to cover the granting of Short-Term Leases to third parties as well as offering a diversified product and service mix and adopting a flexible approach in granting both short and long term leases.

Proposed Arrangement

The Management considers that the Undertaking as it stands limits and hinders the Company's growth potential. In the opinion of the Management, the granting of Short-Term Leases to the COSCO Group in addition to 10-year Leases is commercially beneficial to the Group in that it may increase revenue to the Group. Each container is expected to have a useful life of about 15 years. At present, upon termination of a 10-year lease, the Company may either dispose of the containers in the market or lease them to third party lessees. The Company believes that a modified Undertaking is necessary due to the change in circumstances and business environment. The Group therefore proposes to the COSCO Group that the COSCO Group should also consider taking Short-Term Leases from the Group. Only 10-Year Old Containers will be used for Short-Term Leases granted to the COSCO Group since this will enable the Company to utilize the 10-Year Old Containers to the fullest extent. The Short-Term Leases will be entered into on normal commercial terms in the ordinary course of business of the Company. 10-year Leases will continue to be entered into between the Company and the COSCO Group pursuant to the Undertaking and new containers will be used for such 10-year Leases.

The Directors expected that the estimated revenue from Short-Term Leases granted to the COSCO Group per annum will not exceed 3% of the NTA of the Group.

Since the Undertaking does not prevent the parties from entering into Short-Term Leases and the granting of Short-Term Leases is at the request and with the consent of the Company, the COSCO Group in taking up Short-Term Leases will not be in breach of the Undertaking. Legal opinion has been obtained by the Company to this effect.

It is expected that (i) the COSCO Group will continue to enter into new 10-year Leases with the Company, (ii) the entering into of Short-Term Leases between the Group and the COSCO Group will not affect the Group's new 10-year Leases with the COSCO Group and (iii) all provisions contained in the Undertaking will remain valid.

Connected Transaction

Since the COSCO Group is a connected person within the meaning of the Listing Rules, a variation to the Undertaking in relation to the Short-Term Leases may constitute a connected transaction. However, it is expected that the aggregate projected rental per annum from the granting of Short-Term Leases to the COSCO Group will not exceed 3% of the NTA of the Group in that financial year (the “Cap”). Since it is impracticable to make press announcement all the time, the Company has applied to the Stock Exchange for a waiver from the strict compliance with the requirements under Rule 14.25(1) of the Listing Rules on the following conditions:

- (a) The Short-Term Leases will be entered into between the Group and the COSCO Group:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms not less favourable than those available to or from independent third parties;
 - (iii) in accordance with the relevant agreements governing the Short-Term Leases on terms that are fair and reasonable so far as the shareholders of the Company are concerned and in the interest of the Company as a whole;
- (b) the aggregate rental per annum from the granting of Short-Term Leases to the COSCO Group in each of the financial year of the Company shall not exceed the Cap;
- (c) the details of such Short Term Leases as required under Rule 14.25(1)(A) to (D) will be disclosed in the Company’s annual reports;
- (d) the independent non-executive Directors shall review the Short-Term Leases annually and confirm in the Company’s annual report and accounts for the year in question that such Short-Term Leases are conducted in the manner as stated in (a) and (b) above;
- (e) the Company’s auditors shall review the Short-Term Leases annually and confirm in a letter (the “Letter”) to the board of Directors (a copy of which shall be provided to the Stock Exchange) confirming such Short-Term Leases:

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- (i) have received the approval of the board of Directors;
- (ii) have been entered into in accordance with the relevant agreements governing the Short-Term Leases;
- (iii) are in accordance with the pricing policies set by the Group in respect of such Short-Term Leases to the COSCO Group; and
- (iv) the aggregate rental per annum from the granting of Short-Term Leases to the COSCO Group has not exceeded the Cap,

Where, for whatever reason, the Company's auditors decline to accept the engagement or are unable to provide the Letter, the Company shall contact the Stock Exchange immediately.

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“COSCO”	China Ocean Shipping (Group) Company
“COSCO Group”	COSCO and its subsidiaries (other than the Group)
“Company”	COSCO Pacific Limited is owned as to approximately 53.67% by COSCO as at 22nd August 2001, the Company's ultimate holding company
“Director(s)”	Director(s) of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Management”	the management of the Company
“NTA”	consolidated net tangible assets
“Short-Term Leases”	leases for a term of less than 10 years
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“10-year Leases”	leases for a fixed term of 10 years
“10-Year Old Containers”	containers which have been used for at least 10 years

By Order of the Board
COSCO Pacific Limited
HUNG Man
Company Secretary

Hong Kong, 22nd August 2001

Please also refer to the published version of this announcement in the SCMP dated 23/8/2001.