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## **COSCO Pacific Limited**

*(Incorporated in Bermuda with limited liability)*

### **CONNECTED TRANSACTIONS**

### **DISPOSAL OF INTERESTS IN SHANGHAI COSCO KANSAI PAINT & CHEMICALS CO., LTD. AND TIANJIN COSCO KANSAI PAINT & CHEMICALS CO., LTD.**

#### **Summary**

The Board wishes to announce that on 25th November 2003, COSCO Pacific China and Florens Industrial, both being wholly-owned subsidiaries of the Company, have respectively conditionally agreed to dispose to COSCO International of their entire 20 per cent. equity interest in Shanghai Kansai and Tianjin Kansai respectively.

COSCO International is a subsidiary of COSCO which in turn is the controlling shareholder of the Company. Thus, the disposal of interests in Shanghai Kansai and Tianjin Kansai constitute connected transactions of the Company under the Listing Rules.

The consideration payable in cash to COSCO Pacific China and Florens Industrial for their respective equity interest in Shanghai Kansai and Tianjin Kansai is the amount in Hong Kong dollars equivalent to RMB19,959,000 (equivalent to approximately HK\$18,751,409) and RMB21,081,000 (equivalent to approximately HK\$19,805,524) respectively, the aggregate of which is more than 0.03 per cent., but less than 3 per cent., of the audited consolidated net tangible asset value of the Company as disclosed in the latest published accounts of the Company for the year ended 31st December 2002 and as adjusted to take account of the effect of the Proposed Acquisition. Details of the disposals as required under Rule 14.25(1) of the Listing Rules will be disclosed in the next annual report and accounts of the Company.

# 1. DISPOSAL OF INTERESTS IN SHANGHAI KANSAI

## (a) Date of the Shanghai Agreement

25th November 2003

## (b) Parties to the Shanghai Agreement

- (i) Purchaser: COSCO International
- (ii) Vendor: COSCO Pacific China, a direct wholly-owned subsidiary of the Company

## (c) Interests to be disposed

COSCO Pacific China has agreed to transfer its entire 20 per cent. equity interests in Shanghai Kansai to COSCO International in accordance with the terms and conditions of the Shanghai Agreement.

On the basis of the Shanghai Agreement being completed, it is agreed that COSCO Pacific China shall be entitled, as the holder of 20 per cent. equity interests in Shanghai Kansai, to share (i) the distributable profits of Shanghai Kansai generated during the period from 1st August 2003 to 25th November 2003 and (ii) profits which has been resolved to be distributed to shareholders by the board of directors of Shanghai Kansai prior to 1st August 2003 (including those which have been resolved to be distributed but have not been paid to COSCO Pacific China as at 25th November 2003), whereas COSCO International shall be entitled to (in proportion to the 20 per cent. equity interests to be acquired by it) (i) the distributable profits generated prior to 1st August 2003 and which has not been resolved to be distributed by the board of directors of Shanghai Kansai and (ii) the distributable profits of Shanghai Kansai generated after 25th November 2003.

## (d) Consideration

The consideration for the disposal by COSCO Pacific China to COSCO International of the 20 per cent. equity interests in Shanghai Kansai is RMB19,959,000 (equivalent to approximately HK\$18,751,409). Such consideration is payable in cash in Hong Kong dollars upon completion (see the section headed “Completion of the Shanghai Agreement” below) which shall in any event be no later than 1 month from the Change Registration Date. The consideration was arrived at after arm’s length negotiations between COSCO International, the Company and COSCO Pacific China and determined with reference to (i) the share of audited net asset value of Shanghai Kansai as at 31st December 2002 attributable to such 20 per cent. equity interest; (ii) business valuation of Shanghai Kansai prepared by Sallmanns (Far East) Limited, an independent valuer engaged by COSCO International, as at 31st July 2003 and (iii) consideration for the transfers of equity interests in Shanghai Kansai by other shareholders of Shanghai Kansai. It represents a premium of 29.10% to the share of audited net asset value of Shanghai Kansai as at 31st December 2002.

**(e) Conditions of the Shanghai Agreement**

The Shanghai Agreement is conditional upon, among other things, the following conditions precedent being fulfilled or waived by COSCO International:

- (i) the equity interest transfers having been approved unanimously by the board of directors of Shanghai Kansai;
- (ii) each of all other shareholders of Shanghai Kansai having issued documents agreeing to the transactions contemplated under the Shanghai Agreement, and waiving their respective pre-emptive rights;
- (iii) both parties to the Shanghai Agreement and other relevant parties having executed all necessary contracts, agreements and other relevant documents relating to the equity interest transfers under the Shanghai Agreement and Shanghai Kansai having obtained all necessary governmental approvals, consents and permits relating to the equity interest transfers and the corresponding changes in respect of the sino-foreign equity joint venture enterprise pursuant thereto including the issuance of the approval in respect of the equity interest transfers issued by the Ministry of Commerce of the PRC or authority authorized by it and the new business licence of Shanghai Kansai (if any);
- (iv) the passing at a special general meeting of COSCO International of an ordinary resolution approving the Shanghai Agreement and transactions contemplated under the Shanghai Agreement including the entering into of the agreements to amend the joint venture contract and articles of association of Shanghai Kansai in accordance with the Listing Rules; and
- (v) the PRC legal advisers designated by COSCO International having issued a legal opinion to certify on the fulfillment of the condition precedent referred to in item (iii) in this section.

**(f) Completion of the Shanghai Agreement**

The transactions contemplated under the Shanghai Agreement will be completed within 15 Business Days after all of the above conditions (other than those waived by COSCO International) have been fulfilled or such other date as the parties to the Shanghai Agreement may agree in writing. The Shanghai Agreement will lapse automatically if any of the above conditions is not satisfied (unless waived by COSCO International) on or before 31st March 2004, or such later date as may be mutually agreed between the parties thereto.

**(g) Information about Shanghai Kansai**

Shanghai Kansai is an equity joint venture enterprise established in Shanghai, the PRC, in 1995. It is primarily engaged in the production and distribution of coatings and paints for use in containers, vessels and heavy industries. Shanghai Kansai has a registered capital of USD7 million, which has been fully paid up and an investment amount of USD12.8 million.

The table below sets out the audited profit before and after taxation for Shanghai Kansai for the two years ended 31st December 2001 and 2002 respectively and its audited net asset value as at 31st December 2001 and 2002 respectively prepared in accordance with PRC generally accepted accounting principles and the respective percentage attributable to the Group.

	Year ended 31st December		Percentage	
	2001 <i>RMB('000)</i>	Percentage attributable to the Group	2002 <i>RMB('000)</i>	Percentage attributable to the Group
Profit before taxation	12,787	20%	15,159	20%
Profit after taxation	10,511	20%	11,896	20%
Net asset value	81,279	20%	77,300	20%

## 2. DISPOSAL OF INTERESTS IN TIANJIN KANSAI

### (a) Date of the Tianjin Agreement

25th November 2003

### (b) Parties to the Tianjin Agreement

- (i) Purchaser: COSCO International
- (ii) Vendor: Florens Industrial, a direct wholly-owned subsidiary of the Company

### (c) Interests to be disposed

Florens Industrial has agreed to transfer its entire 20 per cent. equity interests in Tianjin Kansai to COSCO International in accordance with the terms and conditions of the Tianjin Agreement.

On the basis of the Tianjin Agreement being completed, it is agreed that Florens Industrial shall be entitled, as the holder of 20 per cent. equity interests in Tianjin Kansai, to share (i) the distributable profits of Tianjin Kansai generated during the period from 1st August 2003 to 25th November 2003 and (ii) profits which has been resolved to be distributed to shareholders by the board of directors of Tianjin Kansai prior to 1st August 2003 (including those which have been resolved to be distributed but have not been paid to Florens Industrial as at 25th November 2003), whereas COSCO International shall be entitled to share (in proportion to the 20 per cent. equity interests to be acquired by it) (i) the distributable profits generated prior to 1st August 2003 and which has not been resolved to be distributed by the board of directors of Tianjin Kansai and (ii) the distributable profits of Tianjin Kansai generated after 25th November 2003.

### (d) Consideration

The consideration payable for the disposal by Florens Industrial to COSCO International of the 20 per cent. equity interests in Tianjin Kansai is RMB21,081,000 (equivalent to approximately HK\$19,805,524). Such consideration is payable in cash in Hong Kong dollars

upon completion (see the section headed “Completion of the Tianjin Agreement” below) which shall in any event be no later than 1 month from the Change Registration Date. The consideration was arrived at after arm’s length negotiations between COSCO International, the Company and Florens Industrial and determined with reference to (i) the share of audited net asset value of Tianjin Kansai as at 31st December 2002 attributable to such 20 per cent. equity interest; (ii) business valuation of Tianjin Kansai prepared by Sallmanns (Far East) Limited, an independent valuer engaged by COSCO International, as at 31st July 2003 and (iii) consideration for the transfers of equity interests in Tianjin Kansai by other shareholders of Tianjin Kansai. It represents a premium of 45.67% to the share of audited net asset value of Tianjin Kansai as at 31st December 2002.

**(e) Conditions of the Tianjin Agreement**

The Tianjin Agreement is conditional upon, among other things, the following conditions precedent being fulfilled or waived by COSCO International:

- (i) the equity interest transfers having been approved unanimously by the board of directors of Tianjin Kansai;
- (ii) each of all other shareholders of Tianjin Kansai having issued documents agreeing to the transactions contemplated under the Tianjin Agreement, and waiving their respective pre-emptive rights;
- (iii) both parties to the Tianjin Agreement and other relevant parties having executed all necessary contracts, agreements and other relevant documents relating to the equity interest transfers under the Tianjin Agreement and Tianjin Kansai having obtained all necessary governmental approvals, consents and permits relating to the equity interest transfer and the corresponding change in respect of the sino-foreign equity joint venture enterprise pursuant thereto including the issuance of the approval in respect of the equity interest transfers issued by the Ministry of Commerce of the PRC or authority authorized by it and the new business licence of Tianjin Kansai (if any);
- (iv) the passing at a special general meeting of COSCO International of an ordinary resolution approving the Tianjin Agreement and the transactions contemplated under the Tianjin Agreement, including the entering into the agreements to amend the joint venture contract and articles of association of Tianjin Kansai in accordance with the Listing Rules; and
- (v) the PRC legal advisers designated by COSCO International having issued a legal opinion to certify on the fulfillment of the condition precedent referred to in item (iii) in this section.

**(f) Completion of the Tianjin Agreement**

The transactions contemplated under the Tianjin Agreement will be completed within 15 Business Days after all of the above conditions (other than those waived by COSCO International) have been fulfilled or such other date as the parties to the Tianjin Agreement may agree in writing. The Tianjin Agreement will lapse automatically if any of the above conditions is not satisfied (unless waived by COSCO International) on or before 31st March 2004, or such later date as may be mutually agreed between the parties thereto.

**(g) Information about Tianjin Kansai**

Tianjin Kansai is an equity joint venture company established in Tianjin, the PRC in 1992. It is primarily engaged in the production and distribution of coatings and paints for use in containers, vessels and heavy industries. Tianjin Kansai has a registered capital of USD5 million, which has been fully paid up, and an investment amount of USD10 million.

The table below sets out the audited profit before and after taxation for Tianjin Kansai for the two years ended 31st December 2001 and 2002 respectively and its audited net asset value as at 31st December 2001 and 2002 respectively prepared in accordance with PRC generally accepted accounting principles and the respective percentage attributable to the Group.

	Year ended 31st December			
	2001	Percentage	2002	Percentage
	<i>RMB('000)</i>	attributable	<i>RMB('000)</i>	attributable
		to the Group		to the Group
Profit before taxation	33,171	20%	27,127	20%
Profit after taxation	28,427	20%	22,639	20%
Net asset value	79,325	20%	72,360	20%

**3. REASONS FOR ENTERING INTO THE SHANGHAI AGREEMENT AND TIANJIN AGREEMENT AND USE OF PROCEEDS**

The Group's core businesses are container leasing and container terminal operations. The Group's strategy is to develop logistics business as one of its other core businesses. The investments in Shanghai Kansai and Tianjin Kansai are only non-core investments of the Group.

The Board currently intends to apply the net proceeds from the disposal of the Group's interests in Shanghai Kansai and Tianjin Kansai as additional working capital.

The Board is of the opinion that the terms and conditions of the Shanghai Agreement and the Tianjin Agreement are fair and reasonable to the Company and its shareholders taken as a whole. The independent non-executive directors of the Company (except Mr. Alexander Reid Hamilton, who has abstained to opine on the subject matter given his common directorship in both the Company and COSCO International, and Mr. Lee Yip Wah, Peter for personal health reasons) have concurred with such opinion of the Board.

**4. GENERAL**

COSCO International, a subsidiary of COSCO which in turn is the controlling shareholder of the Company holding, as at the date hereof, 53.25% of the issued share capital of the Company, is a connected person of the Company. Therefore, the disposal of equity interests in Shanghai Kansai and Tianjin Kansai by COSCO Pacific China and Florens Industrial respectively to COSCO International each constitutes a connected transaction under the Listing Rules.

As the aggregate consideration payable by COSCO International to COSCO Pacific China and Florens Industrial is more than 0.03 per cent., but less than 3 per cent., of the audited consolidated net tangible asset value of the Company as disclosed in the published accounts of the Company for the year ended 31st December 2002 and as adjusted to take account of the effect of the Proposed Acquisition, the Shanghai Agreement and the Tianjin Agreement are, in accordance with Rule 14.25(1) of the Listing Rules, subject to disclosure by way of press announcement. Details of the transactions under the Shanghai Agreement and the Tianjin Agreement as required under Rule 14.25(1) of the Listing Rules will be disclosed in the next annual report and accounts of the Company.

The Group is principally engaged in the businesses of container leasing and container terminal operation.

## 5. DEFINITION

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

<b>Expression</b>	<b>Meaning</b>
“Shanghai Agreement”	The conditional agreement dated 25th November 2003 entered into between COSCO International and COSCO Pacific China in relation to, among others, the transfer of 20 per cent equity interests in Shanghai Kansai from COSCO Pacific China to COSCO International
“Tianjin Agreement”	The conditional agreement dated 25th November 2003 entered into between COSCO International and Florens Industrial in relation to, among others, the transfer of 20 per cent. equity interests in Tianjin Kansai from Florens Industrial to COSCO International
“Board”	The board of executive directors of the Company
“Business Days”	Days (except Saturday, Sunday and public holiday) in which commercial banks in Hong Kong and the PRC are generally open for business
“Change Registration Date”	The date upon which Shanghai Kansai or Tianjin Kansai (as the case may be) completes the procedure for registration of changes pursuant to the transfer of the equity interests contemplated under the Shanghai Agreement or Tianjin Agreement (as the case may be) with the governmental authorities for the administration of industry and commerce
“Company”	COSCO Pacific Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on The Stock Exchange of Hong Kong Limited

“COSCO”	China Ocean Shipping (Group) Company, a company incorporated in the PRC and the controlling shareholder of the Company
“COSCO International”	COSCO International Holdings Limited, a subsidiary of COSCO and a company incorporated in Bermuda with limited liability, the shares of which are listed on The Stock Exchange of Hong Kong Limited
“COSCO Pacific China”	COSCO Pacific (China) Investments Co., Ltd. (中遠太平洋(中國)投資有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of the Company
“Florens Industrial”	Florens Industrial Holdings Limited, a company incorporated in Bermuda and a wholly-owned subsidiary of the Company
“Group”	The Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region, the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	China mainland, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Proposed Acquisition”	the proposed acquisition of 49% equity interest in 中國遠洋物流公司 (COSCO Logistics Company*), currently a wholly-owned subsidiary of COSCO which will be converted into a sino-foreign equity joint venture company named as COSCO Logistics Co., Ltd. (中國遠洋物流有限公司) as announced by the Company on 22nd September 2003
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Kansai”	Shanghai COSCO Kansai Paint & Chemicals Co., Ltd. (上海中遠關西塗料化工有限公司), an equity joint venture company established in the PRC
“Tianjin Kansai”	Tianjin COSCO Kansai Paint & Chemicals Co., Ltd. (天津中遠關西塗料化工有限公司), an equity joint venture company established in the PRC
“USD”	United States dollars, the lawful currency of the United States of America

In this announcement, unless otherwise stated, certain amounts denominated in RMB have been converted into HK\$ using an exchange rate of HK\$1.00 : RMB1.0644, and vice versa, for information only.

\* *The English name is an informal English translation of its Chinese name*

By Order of the Board  
**COSCO Pacific Limited**  
**SUN Jiakang**  
*Managing Director*

Hong Kong, 25th November 2003

Please also refer to the published version of this announcement in the South China Morning Post.