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COSCO PACIFIC LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

MAJOR TRANSACTION DISPOSAL OF MARINE CONTAINERS

The Board announces that on 20 June 2006 (a) the Sellers, indirect wholly-owned subsidiaries of the Company, entered into the Sale Agreement with the Purchaser, pursuant to which, subject to the conditions therein, the Sellers will sell and the Purchaser will purchase the Sold Assets; and (b) the Managers, each an indirect wholly-owned subsidiary of the Company, entered into the Administrative Services Agreements with the Owner for the provision of administrative and management services in connection with the Sold Assets from and after Completion. The Sellers and the Managers will receive an aggregate amount of approximately US\$869.4 million on the date of Completion.

Florens HK, an indirect wholly-owned subsidiary of the Company, also entered into an agreement with the Purchaser on 20 June 2006 to guarantee the performance by the Sellers of their obligations under the Sale Agreement in favour of the Purchaser.

The Company considers that according to the current market conditions, the Disposal will help the Group to improve the business model and capital structure of its container leasing business, to increase its sources of income and to lower the operational risks. At the same time, it will enable the Group to maintain a good and steady business relationship with its customers in the process of managing the related containers, and to providing more comprehensive and sound container leasing services to its customers.

The aggregate amount to be received by the Sellers and the Managers on the date of Completion of approximately US\$869.4 million will be used to repay outstanding loan facilities of the Sellers, to acquire additional marine containers, to make related tax payments and for working capital and taking up investment opportunities of the Group as and when they arise.

As the relevant percentage ratio calculated under Chapter 14 of the Listing Rules in respect of Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules.

The Company has obtained from COSCO Pacific Investment Holdings Limited and COSCO Investments Limited, which together hold approximately 51.58% in nominal value of the securities giving the right to attend and vote at any general meeting of the Company, written approval of the Disposal. Pursuant to Rule 14.44 of the Listing Rules, the Disposal which constitutes a major transaction has been approved by way of written shareholders' approval in lieu of holding a general meeting of the Company.

A circular containing, amongst other things, further details of the Sale Agreement, the Administrative Services Agreements and the Disposal will be dispatched to the Shareholders in accordance with the requirements of the Listing Rules.

The Board announces that on 20 June 2006, the Sellers, wholly-owned subsidiaries of the Company, entered into the Sale Agreement with the Purchaser.

THE SALE AGREEMENT

Date : 20 June 2006

Parties : (a) Sellers:

- FCI, an indirect wholly-owned subsidiary of the Company.
- Florens Container, Inc. (2003), a direct wholly-owned subsidiary of FCI.
- Florens Container, Inc. (2004), a direct wholly-owned subsidiary of FCI.
- Florens Container, Inc. (2005), a direct wholly-owned subsidiary of FCI.

(b) Purchaser: “AD ACTA” 634. Vermögensverwaltungsgesellschaft MBH, an entity established for purposes of acquiring and owning the Sold Assets from the Sellers.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and independent of any connected persons of the Company.

The Sold Assets:

Pursuant to the Sale Agreement, subject to fulfillment of the Conditions, the Sellers shall sell and the Purchaser shall purchase the Sold Assets, which comprises (i) marine containers with an aggregate volume of approximately 600,468 TEUs and representing approximately 59.6% of the marine containers of the Group as at 31 December 2005 and used in its operation of container leasing business, and (ii) the container lease agreements covering those containers (to the extent of the transferred containers) under which the Sellers are the lessors.

Business in which the Sold Assets have been employed:

The Sellers, being wholly-owned subsidiaries of the Company, are principally engaged in the business of acquiring and leasing marine containers including the Sold Assets. The Sold Assets constitute a significant portion of the marine containers and the related leases of the Group.

The net book value (cost less accumulated depreciation) of the containers comprising the Sold Assets at 31 December 2005 was approximately US\$791.2 million.

The unaudited net profits (before and after taxation) attributable to the Sold Assets for the two years ended 31 December 2005 (as extracted from the management accounts of the Sellers) were as follows:

	Before taxation	After taxation
Net profit for the year ended 2004	Approximately US\$46.6 million	Approximately US\$29.2 million
Net profit for the year ended 2005	Approximately US\$50.2 million	Approximately US\$31.7 million

Amounts receivable by the Sellers and the Managers:

The amounts receivable by the Sellers and the Managers on the date of Completion in aggregate amount to approximately US\$869.4 million and consists of the following components:

- (i) the Sellers will receive the purchase price of the Sold Assets of approximately US\$846.8 million, which is equal to the estimated net book value of the Sold Assets as at 30 June 2006 plus a premium of 12%;
- (ii) Florens Macau will receive an upfront administration fee in the amount of approximately US\$7.4 million (the “Upfront Administration Fee”) for undertaking the administrative functions contemplated and to provide an incentive for Florens Macau to achieve certain performance indicators over the initial five-year term of the agreement; and
- (iii) Florens Macau will receive an additional fee in the amount of approximately US\$15.2 million (the “Finder Fee”) for the services rendered by Florens Macau in connection with the transaction (including but not limited to leading the selling group in the transaction and its documentation).

The purchase price shall be adjusted within two weeks following Completion on the basis of the actual net book value of the containers transferred to the Purchaser at the date of Completion. The Upfront Administration Fee and the Finder Fee will be non-refundable.

The purchase price and fees above were determined after arm’s length negotiations between the Sellers and the Purchaser.

Terms of Payment:

The aggregate amount of approximately US\$869.4 million will be paid by the Purchaser and/or Owner at the date of Completion.

Conditions and Completion:

Completion is subject to fulfillment of the following conditions:

- (i) approval of the Disposal by the Company, as shareholder of the Sellers, and by the shareholders of the Company in accordance with the requirements of the Listing Rules;
- (ii) approval of the Disposal by the shareholders of China COSCO in accordance with the requirements of the Listing Rules;
- (iii) approval by the directors of the Purchaser;
- (iv) accuracy of representations and absence of breaches of warranties, agreements and defaults of the Sellers and the Purchaser;
- (v) adequacy of financing available to the Purchaser;

(vi) receipt of required approvals, information, confirmations and legal opinions acceptable to the Purchaser; and

(vii) other conditions customary for such transactions.

Completion shall take place on a date to be agreed following the satisfaction or waiver by the Purchaser or Sellers of the conditions to which its or their obligations are subject; provided, however, that if Completion has not occurred by 31 December 2006, then the Sellers, the Purchaser, the Owner or the Managers may terminate the related agreements. The parties to the Sale Agreement expect that Completion will take place on or about 30 June 2006.

GUARANTEE

Florens HK, an indirect wholly-owned subsidiary of the Company, also entered into an agreement with the Purchaser on 20 June 2006 to guarantee the performance by the Sellers of their obligations under the Sale Agreement in favour of the Purchaser.

ADMINISTRATIVE SERVICES

The Managers have entered into the Administrative Services Agreements with respect to post-Completion administration of the ownership and leasing of the Sold Assets and any containers replacing or substituting for containers initially included within the Sold Assets, until the Owner Containers have been disposed of, or have been lost, stolen or destroyed and the proceeds from insurance or other sources for such loss have been paid, or if earlier after an initial term of five years (extendable at the option of the Owner) or until the Administrative Services Agreements are terminated under their respective terms.

Subject to Completion, the Managers shall render administrative services with respect to the Sold Assets and the Owner Containers pursuant to their respective Administrative Services Agreements on behalf of the Owner such as:

- (i) administration and renewal of existing lease contracts;
- (ii) sourcing of new lease contracts;
- (iii) administering the return and release of containers from depots;
- (iv) administration of inspection, maintenance, insurance and storage of the containers;
- (v) disposal of the containers; and
- (vi) collections and payments of bills on behalf of the Owner.

The Managers are not guarantors of the obligations of the ultimate lessees of the containers, and responsibility for custody, care, maintenance, insurance and other terms of the container leases remains with the lessees.

Leasing contracts in respect of the containers forming the Owner Containers will be entered into and administered by the Managers, in each case, in the ordinary course of business consistent with past practices. The lessees of containers shall handle the repair, maintenance, insurance and other services in respect of such containers, and the obligations of the lessees will be monitored by the Managers in the ordinary course, consistent with past practices.

The Managers will also be responsible for rendering regular reports on the operation of the Owner Containers and related customer leases, including revenue summary reports, unit status reports, electronic leasing data and financial reports, unaudited quarterly financial statements and audited annual financial statements.

Administrative Fees

Florens US or Florens HK (as the case may be) will charge the following annual fees for their services:

For long term lease contracts of the containers	—	4% of the net operating income under the contract
For master lease contracts of the containers	—	8% of the net operating income under the contract
For resale of containers	—	2% of the net sales proceeds
For finance lease and other leasing contracts entered into by FCI and ZIM Integrated Shipping Services Limited in respect of certain marine containers under the Sold Assets	—	2% of the net operating income under the contract

Under the Administrative Services Agreements, as from the date of Completion and during the term of administration of the Sold Assets and the Owner Containers by the Managers, the net operating income from the administration and operation of the Sold Assets and the Owner Containers, which is after the deduction of the administrative fees and certain costs and expenses, shall belong to the Owner.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The marine containers comprising the Sold Assets have an average equipment age of 4.3 years and about 15.3% of them are old containers of 8 years or more. Most of these marine containers being sold are subject to long terms leases. After the Disposal, the Managers will still retain a managerial role in respect of the Owner Containers under the Administrative Services Agreements. The Disposal will not affect the container leasing business of the Group, as the Group will purchase new containers and continue to lease them to customers.

The Company considers that according to the current market conditions, the Disposal will help the Group to improve the business model and capital structure of its container leasing business, to increase its sources of income and to lower the operational risks. At the same time, it will enable the Group to maintain a good and steady business relationship with its customers in the process of managing the related containers, and to provide more comprehensive and sound container leasing services to its customers.

The Managers and certain of their affiliated companies will remain principally engaged in the business of acquiring and leasing containers and managing container lease portfolios, including the Sold Assets to be sold to the Purchaser pursuant to the Sale Agreement, and the Manager and/or their affiliated companies expect to acquire additional containers and lease them to customers in the future consistent with its current practices.

Upon Completion, the Group is expected to realize an estimated gain of approximately US\$51 million (after deducting taxes but before direct expenses) from the Disposal which is expected to be accounted for in the consolidated financial statements of the Company for the year ending 31 December 2006.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Sale Agreement and of the Administrative Services Agreements are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

USE OF PROCEEDS

The aggregate amount to be received by the Sellers and Managers on the date of Completion of approximately US\$869.4 million will be used as follows:

- (i) as to approximately US\$343.1 million for repayment of outstanding loan facilities of the Sellers;

- (ii) as to approximately US\$100.0 million for acquisition of additional marine containers;
- (iii) as to approximately US\$111.8 million for making related tax payments; and
- (iv) the balance for working capital and for taking up investment opportunities of the Group as and when they arise.

The Company has been considering acquisition opportunities from time to time, but at present has not yet concluded any negotiations or made any commitment in respect of potential acquisitions.

GENERAL

The Group is principally engaged in the businesses of container leasing, managing and operating container terminals, the logistics and related businesses and other investments. The principal business of the Group will also include the management of marine containers after the Disposal.

FCI is an indirect wholly-owned subsidiary of the Company that is engaged principally in the business of acquiring and leasing containers to customers around the world. Florens Container, Inc. (2003), Florens Container, Inc. (2004), and Florens Container, Inc. (2005) are principally special purpose companies that were established by FCI to hold certain containers and container leases in order to facilitate the secured debt financing thereof by successive syndicates of commercial banks.

The Purchaser is a special purpose entity formed for purposes of acquiring the Sold Assets.

DVB Bank

The transaction is arranged by DVB Bank America N.V., an affiliate of DVB Bank AG. DVB Bank AG is based in Frankfurt/Main and is an international advisory bank and finance house that specializes in the global transport market. DVB Bank AG offers integrated financing solutions and advisory services in respect of shipping, aviation, land transport and transport infrastructure. DVB Bank AG is listed on the Frankfurt Stock Exchange (ISIN: DE 0008045501).

Major Transaction

As the relevant percentage ratio calculated under Chapter 14 of the Listing Rules in respect of Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to Shareholders' approval.

The Company has obtained from COSCO Pacific Investment Holdings Limited and COSCO Investments Limited, which together hold 1,144,166,411 shares in the Company equivalent to approximately 51.58% in nominal value of the securities giving the right to attend and vote at any general meeting of the Company, written approval of the Disposal. COSCO Pacific Investment Holdings Limited and COSCO Investments Limited are wholly-owned subsidiaries of China COSCO, the holding company of the Company. As none of the Shareholders is materially interested in the Disposal, no Shareholder will be required to abstain from voting if a general meeting of the Company is convened to approve the Disposal contemplated under the Sale Agreement. Pursuant to Rule 14.44 of the Listing Rules, the Disposal which constitutes a major transaction has been approved by way of written shareholders' approval in lieu of holding a general meeting of the Company.

A circular containing, amongst other things, further details of the Sale Agreement, the Administrative Services Agreements and the Disposal will be dispatched to shareholders of the Company in accordance with the requirements of the Listing Rules.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms shall have the following meanings:

“Administrative Services Agreement”	various administrative services agreements entered into between the Owner and each of the Managers on 20 June 2006 for the provision by the Managers of administrative services effective from 1 July 2006 in respect of the Sold Assets after Completion
“Board”	the Board of Directors of the Company
“China COSCO”	China COSCO Holdings Company Limited, a joint stock limited liability company established under the laws of the PRC whose shares are listed on the main board of the Stock Exchange
“Company”	COSCO Pacific Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the main board of the Stock Exchange
“Completion”	completion of the Sale of the Sold Assets pursuant to the Sale Agreement
“Conditions”	the conditions to which Completion is subject
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Disposal”	The disposal of the Sold Assets by the Sellers to the Purchaser pursuant to the Sale Agreement
“Group”	the Company and its subsidiaries
“FCI”	Florens Container Inc., a company incorporated under the laws of the State of Delaware, the United States of America and an indirect wholly-owned subsidiary of the Company
“Florens HK”	Florens Container Services Company Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“Florens Macau”	Florens Management Services (Macao Commercial Offshore) Limited, a company incorporated in the Macau Special Administrative Region of the PRC and an indirect wholly-owned subsidiary of the Company
“Florens US”	Florens Container Services (USA), Ltd., a company incorporated under the laws of the State of Delaware, the United States of America and an indirect wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Managers”	Florens US, Florens Macau and Florens HK

“Owner”	the Purchaser, a special purpose entity formed to acquire ownership of the Sold Assets, in its capacity as owner of such assets after the completion of the Disposal
“Owner Containers”	any marine containers included within the Sold Assets at Completion and thereafter owned by the Owner and managed by the Managers from time to time subsequent to the date of Completion
“PRC”	The People’s Republic of China
“Purchaser”	“AD ACTA” 634. Vermögensverwaltungsgesellschaft MBH, a special purpose entity formed to purchase the Sold Assets.
“Sale Agreement”	the agreement entered into by the Sellers and the Purchaser on 20 June 2006 for the sale and purchase of the Sold Assets
“Sellers”	FCI, Florens Container, Inc. (2003), Florens Container, Inc. (2004) and Florens Container, Inc. (2005)
“Shareholders”	holder(s) of the share(s) in the capital of the Company
“Sold Assets”	The marine containers owned and operated by the Sellers which are transferred under the Sale Agreement to the Purchaser, together with the rights of lessor under the relevant customer leases relating to such containers (to the extent relating to such containers)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	U.S. dollars, the lawful currency of the United States of America

By Order of the Board
COSCO Pacific Limited
SUN Jiakang
Vice Chairman & Managing Director

Hong Kong, 20 June 2006

As at the date of this announcement, members of the board of Directors of COSCO Pacific Limited are Dr. WEI Jiafu² (Chairman), Mr. CHEN Hongsheng¹, Mr. LI Jianhong¹, Ms. SUN Yueying¹, Dr. SUN Jiakang¹ (Vice Chairman & Managing Director), Mr. XU Lirong², Mr. WONG Tin Yau, Kelvin¹, Mr. WANG Zhi¹, Mr. QIN Fuyan¹, Dr. LI Kwok Po, David³, Mr. LIU Lit Man³, Mr. CHOW Kwong Fai, Edward³ and Mr. Timothy George FRESHWATER³.

¹ Executive Director

² Non-executive Director

³ Independent Non-executive Director

*Please also refer to the published version of this announcement in **The Standard**.*