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## **COSCO Pacific Limited**

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 1199)**

### **CONNECTED TRANSACTION INCREASE IN THE REGISTERED CAPITAL OF ZHANGJIAGANG WIN HANVERKY CONTAINER TERMINAL CO., LTD. AND ACQUISITION OF BERTH ASSETS AT ZHANGJIAGANG PORT**

On 28 September 2006, the Vendor, WH Investments (which is a wholly-owned subsidiary of the Company) and the Purchaser (which is a non wholly-owned subsidiary of the Company) entered into the Agreement in relation to the Capital Increase and the Acquisition.

Being a substantial shareholder of the Purchaser, the Vendor is therefore a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company. As the applicable percentage ratios for the Acquisition exceed 0.1% but are less than 2.5%, such connected transaction is exempt from the independent shareholders' approval requirement but is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

#### **THE AGREEMENT**

##### **Date of the Agreement**

28 September 2006

##### **Parties**

The Vendor

WH Investments, a wholly-owned subsidiary of the Company

The Purchaser, a sino-foreign equity joint venture established in the PRC and owned by WH Investments and the Vendor as to 51% and 49% respectively

##### **Capital Increase**

Pursuant to an agreement dated 26 March 2006 between the Vendor and WH Investments, the registered capital of the Purchaser is to be increased from US\$16,800,000 to US\$36,800,000 and contributed by WH Investments and the Vendor pro rata to their existing shareholding. The total investment amount of the Purchaser is to be increased from US\$30,000,000 to US\$75,000,000.

The contribution of US\$10,200,000 by WH Investments is to be made in cash, with part of it coming from the undistributed after tax profits of the Purchaser in the years 2004 and 2005 to which WH Investments is entitled (being RMB37,811,919) and with the balance payable within seven days of the date of the Agreement.

The contribution of US\$9,800,000 by the Vendor is to be made by injection of the Injection Assets into the Purchaser.

### **Acquisition**

(a) *Assets to be acquired by the Purchaser*

The Sale Assets.

The Berth Assets were acquired by the Vendor at the cost of RMB147,822,622.12.

(b) *Consideration*

The amounts payable by the Purchaser in relation to the Sale Assets comprise the following:

1. RMB171,081,966.69 (being the adjusted value of the Berth Assets determined by a valuer as described below) less US\$9,800,000 (being the contribution required to be made by the Vendor pursuant to the Capital Increase);
2. the agreed cost of funds of the Vendor (representing the appreciation in value of the Sale Assets since the reference date of the valuation of the Berth Assets referred to below as agreed between the Vendor and the Purchaser) calculated on the amount under item 1 at the interest rate of 5.022% per annum for the period from 1 November 2005 to 30 April 2006 and 5.265% per annum for the period from 1 May 2006 to the day immediately before the date of receipt of the relevant amount (with interest) by the Vendor;
3. subsequent expenses in respect of the Berth Assets incurred from November 2005 (i.e. immediately after the reference date of the valuation of the Berth Assets referred to below) to July 2006 in the aggregate amount of RMB13,611,143.26; and
4. interest on such subsequent expenses calculated at the same interest rates referred to in item 2 from the months in which the respective expenses were incurred up to the day immediately before the date of receipt of the relevant amount (with interest) by the Vendor.

Such amounts are payable within one month after completion of the capital verification in relation to the Capital Increase and change of business registration of the Purchaser. Assuming that such amounts are paid on 31 October 2006, they would amount to approximately RMB111,627,627 in total. Rights in the Berth Assets will be owned by the Purchaser from the date of capital verification in relation to the Capital Increase.

The preferential partial refund of the land premium (i.e. the price payable by a person who purchases land from the government) in respect of part of the land comprised in the Berth Assets in the amount of RMB2,660,000 received by the Vendor from the government due to the joint venture being an encouraged foreign investment will be paid to the Purchaser within one month after the date of capital verification in relation to the Capital Increase.

It is currently expected that capital verification in relation to the Capital Increase will take place within seven days after the payment of the Capital Increase.

The Berth Assets have been handed over to the Purchaser for trial operation, and the revenue and profits (if any) generated therefrom were negligible. A usage fee for the period up to the date of capital verification in relation to the Capital Increase of RMB2,880,000 is payable by the Purchaser to the Vendor.

The Berth Assets were valued at RMB171,545,600 as at 31 October 2005 by a valuer appointed by the Vendor, in respect of which the parties agreed to adjust downward by RMB463,633.31 to RMB171,081,966.69 due to an error in the land size on which the valuation was based.

### **Taxes**

Taxes arising from the Capital Increase and the Acquisition will be borne by each party in accordance with the relevant laws and regulations.

### **CONNECTED TRANSACTION**

Being a substantial shareholder of the Purchaser, the Vendor is therefore a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company. As the applicable percentage ratios for the Acquisition exceed 0.1% but are less than 2.5%, such connected transaction is exempt from the independent shareholders' approval requirement but is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

## **REASONS FOR THE ACQUISITION**

The Group has been seeking expansion opportunities through investments in terminal and logistics projects that are closely related to its core business in the Yangtze River Delta region, thereby participating in the development of such region to benefit from its economic growth. In view of the leading position of Shanghai in the Yangtze River Delta region, the Group has acquired a 30% equity interest in Shanghai Pudong International Container Terminals Limited. In addition, the Group has also acquired controlling or other equity interests in joint venture container terminal projects at such ports including Zhangjiagang, Yangzhou and Nanjing. Investment in the Berth is expected to boost the container throughput of the Group and the competitiveness of Zhangjiagang in the Yangtze region, ultimately consolidating the integrated terminal capability of the Group in such region.

The board of directors of the Company (including the independent non-executive directors) believes that the terms of the Acquisition are fair and reasonable and in the interests of the shareholders of the Company as a whole.

## **GENERAL**

The Group is principally engaged in the businesses of container leasing, container management, managing and operating container terminals, logistics, container manufacturing and related businesses and other investments.

The scope of business under the business licence of the Vendor includes cargo loading and unloading, warehousing, transit, transshipment, tallying and tugboat services, port machinery, production and maintenance, electrical apparatus repair, installation, shipping agency, cargo transport agency, port dredging, shipping supply, property management, domestic trade, development and construction of port engineering projects, production of interlocking concrete blocks, port vehicle parking, port services, port information services, and leasing business (operation of businesses governed by specific regulations being subject to prior regulatory approval).

## **DEFINITIONS**

“Acquisition”	the acquisition of the Sale Assets pursuant to the Agreement
“Agreement”	the agreement dated 28 September 2006 between the Vendor, WH Investments and the Purchaser
“Berth”	berth no. 17 of the Zhangjiagang Port in the PRC
“Berth Assets”	the land use rights, berth terminal projects, roads and storage yards, water supply and drainage, electrical engineering and ancillary works and other construction in progress in respect of the Berth
“Capital Increase”	increase in the registered capital of the Purchaser from US\$16,800,000 to US\$36,800,000
“Company”	COSCO Pacific Limited
“Group”	the Company and its subsidiaries
“Injection Assets”	part of the Berth Assets to the value of US\$9,800,000
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	People’s Republic of China
“Purchaser”	Zhangjiagang Win Hanverky Container Terminal Co., Ltd.
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Sale Assets”	the balance of the Berth Assets after the agreed injection of the Injection Assets by the Vendor into the Purchaser

“US\$”	United States dollar, the lawful currency of the United States of America
“Vendor”	張家港港務集團有限公司 (Zhangjiagang Port Group Co. Ltd.)
“WH Investments”	Win Hanverky Investments Limited

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

Hong Kong, 28 September 2006

*As at the date of this announcement, the directors of the Company are Dr. WEI Jiafu<sup>2</sup> (Chairman), Mr. CHEN Hongsheng<sup>1</sup>, Mr. LI Jianhong<sup>1</sup>, Ms. SUN Yueying<sup>1</sup>, Dr. SUN Jiakang<sup>1</sup> (Vice Chairman & Managing Director), Mr. XU Lirong<sup>2</sup>, Mr. WONG Tin Yau, Kelvin<sup>1</sup>, Mr. WANG Zhi<sup>1</sup>, Mr. QIN Fuyan<sup>1</sup>, Dr. LI Kwok Po, David<sup>3</sup>, Mr. LIU Lit Man<sup>3</sup>, Mr. CHOW Kwong Fai, Edward<sup>3</sup> and Mr. Timothy George FRESHWATER<sup>3</sup>.*

<sup>1</sup> Executive Director

<sup>2</sup> Non-executive Director

<sup>3</sup> Independent Non-executive Director

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