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COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

CONTINUING CONNECTED TRANSACTIONS

The Board would like to announce that Yangzhou Yuanyang, a subsidiary of the Company, has entered into the Yangzhou Ancillary Loading and Unloading Transportation Services Agreements with Yangzhou Ports Modern Logistics, a wholly-owned subsidiary of Yangzhou Ports, which constituted continuing connected transactions of the Company. Since one or more of the relevant percentage ratio(s) for the Yangzhou Logistics Continuing Connected Transactions calculated on an annual basis by reference to the service fees payable under the Yangzhou Ancillary Loading and Unloading Transportation Services Agreements by Yangzhou Yuanyang to Yangzhou Ports Modern Logistics are more than 0.1%, but are all less than 2.5%, in accordance with Rule 14A.34 of the Listing Rules, the transactions contemplated thereunder are only subject to the reporting and announcement requirements and are exempt from the independent shareholders' approval requirement of the Listing Rules.

Further, Yangzhou Yuanyang has been providing shipping related services to the COSCO Group (including COSCON) since 2004, which constituted continuing connected transactions of the Company. Since one or more of the relevant percentage ratio(s) for the Yangzhou Shipping Continuing Connected Transactions calculated on an annual basis by reference to the service fees payable by the COSCO Group to Yangzhou Yuanyang from 2004 to February 2007 are more than 0.1%, but are all less than 2.5%, in accordance with Rule 14A.34 of the Listing Rules, the Yangzhou Shipping Continuing Connected Transactions are also only subject to the reporting and announcement requirements and are exempt from the independent shareholders' approval requirement of the Listing Rules.

THE CONTINUING CONNECTED TRANSACTIONS

(1) Yangzhou Logistics Continuing Connected Transactions

(A) Particulars of the Yangzhou Ancillary Loading and Unloading Transportation Services Agreements

Date: 28 February 2004 and 1 January 2005

Parties: Yangzhou Yuanyang
Yangzhou Ports Modern Logistics, a wholly-owned subsidiary of Yangzhou Ports

Duration: 1 March 2004 to 28 February 2007 (subsequently superseded by the agreement dated 1 January 2005) and 1 January 2005 to 28 February 2007, currently with negotiations for renewal in progress.

Nature of transaction: Provision of logistics services by Yangzhou Ports Modern Logistics to Yangzhou Yuanyang, including (1) operation and management of cargo loading and unloading, and transshipment etc, (2) tallying of all goods and materials other than containers within a port area, warehouse management, preparation of various invoices and establishment of complete essential data, (3) operations and normal maintenance of cranes (other than portal cranes, 16T rubber-tyred cranes, reach stackers), forklift trucks (other than down stacker) and loaders (4) provision and management of industrial rope tools (including steel wire, net, anchor chain, turnbuckle and hanging trip, etc) and (5) security of port area.

Service fees: The service fees are payable monthly, which include:

- (1) Goods handling fees: Certain types of fees are charged for each ton of goods and materials handled by Yangzhou Ports Modern Logistics. Such fees include the goods management fee, loading and unloading fee, fee for forklift trucks, fee for cranes and vehicles transportation fee. Such fees vary according to different nature of goods and material being handled;
- (2) Port security fee: A security fee is chargeable each year for security services provided to the port;
- (3) Consumption fees: Fees are charged for consumption of industrial rope tools used during the course of goods handling; and
- (4) Other fees: other fees are charged upon provision of relevant services, including but not limited to warehouse leasing and special treatment for timber.

Under the Yangzhou Ancillary Loading and Unloading Transportation Services Agreements, Yangzhou Yuanyang has the right to examine whether Yangzhou Ports Modern Logistics has met the criteria on safety, quality and quantity, equipment management and efficiency agreed between Yangzhou Yuanyang and Yangzhou Ports Modern Logistics. Certain amount of service fees will be deducted monthly according to the stipulated fee scale set out in the agreement if such criteria are not met. Nevertheless, the aggregate amount of fees deducted annually will not be more than 3% of the total service fees payable by Yangzhou Yuanyang to Yangzhou Ports Modern Logistics for the relevant year. No aggregate fee of more than 3% of the total service fees paid annually has been deducted so far.

(B) *Amount of service fees payable by Yangzhou Yuanyang to Yangzhou Ports Modern Logistics from March 2004 to February 2007:*

For the ten months ended 31 December 2004	For the year ended 31 December 2005	For the year ended 31 December 2006	For the two months ended 28 February 2007
US\$2,451,038	US\$3,861,925	US\$4,452,972	US\$446,976

The service fees charged by Yangzhou Ports Modern Logistics were at rates no less favourable to Yangzhou Yuanyang than that at which independent third parties charged Yangzhou Yuanyang for the relevant services.

Transactions of a similar nature to the Yangzhou Logistics Continuing Connected Transactions have continued after expiry of the term under the Yangzhou Ancillary Loading and Unloading Transportation Services Agreements. Further announcement will be made when Yangzhou Yuanyang contracts to renew the term for provision of logistics services contemplated under the Yangzhou Ancillary Loading and Unloading Transportation Services Agreements with Yangzhou Ports Modern Logistics.

(2) Yangzhou Shipping Continuing Connected Transactions

Details of shipping related services provided by Yangzhou Yuanyang to the COSCO Group (including COSCON) since 2004 are set out as follows:

Nature of transaction: Provision of shipping related services by Yangzhou Yuanyang to members of the COSCO Group (including COSCON), including but not limited to the handling, storage and maintenance of cargoes at the port of Yangzhou.

Terms: On normal commercial terms, the service fees charged by Yangzhou Yuanyang were at rates no less favourable to Yangzhou Yuanyang than that at which Yangzhou Yuanyang charged independent third parties for the relevant services.

Amount of service fees payable by the COSCO Group to Yangzhou Yuanyang from 2004 to February 2007:

For the year ended 31 December 2004	For the year ended 31 December 2005	For the year ended 31 December 2006	For the two months ended 28 February 2007
US\$315,012	US\$437,460	US\$653,642	US\$130,962

Payment term: The service fees payable by the COSCO Group to Yangzhou Yuanyang should be settled within 30 days after the receipt of the relevant invoices issued by Yangzhou Yuanyang.

An announcement covering the provision of shipping related services by Yangzhou Yuanyang to the COSCO Group for the three financial years ending 31 December 2009 has been made separately as at the date of this announcement.

RELATIONSHIP BETWEEN THE COMPANY AND THE COUNTERPARTIES

Yangzhou Ports holds a 40% equity interest in Yangzhou Yuanyang, which is a subsidiary of the Company, and therefore Yangzhou Ports Group (which includes Yangzhou Ports Modern Logistics) is a connected person of the Company. Yangzhou Ports Group is principally engaged in containers and cargoes loading and unloading, warehouse and transportation businesses.

COSCO is the ultimate controlling shareholder of the Company. COSCON is a subsidiary of COSCO. Accordingly, members of the COSCO Group and COSCON are connected persons of the Company. The COSCO Group is a diversified group focusing mainly on shipping and modern logistics businesses. They also serve as shipping agencies and provide services in freight forwarding, ship building, ship repairing, terminal operation, container paint manufacturing, trade, financing, real estate, information technology and contract employment. COSCON is principally engaged in container shipping businesses.

As to the Yangzhou Logistics Continuing Connected Transactions, since one or more of the relevant percentage ratio(s) calculated on an annual basis by reference to the service fees payable under the Yangzhou Ancillary Loading and Unloading Transportation Services Agreements by Yangzhou Yuanyang to Yangzhou Ports Modern Logistics in the years 2004 to 2006 and the two months ended 28 February 2007 are more than 0.1%, but are all less than 2.5%, in accordance with Rule 14A.34 of the Listing Rules, the transactions contemplated thereunder are only subject to the reporting and announcement requirements and are exempt from the independent shareholders' approval requirement of the Listing Rules.

Since one or more of the relevant percentage ratio(s) for the Yangzhou Shipping Continuing Connected Transactions calculated on an annual basis by reference to the service fees payable by the COSCO Group to Yangzhou Yuanyang in the years 2004 to 2006 and the two months ended 28 February 2007 are more than 0.1%, but are all less than 2.5%, in accordance with Rule 14A.34 of the Listing Rules, the Yangzhou Shipping Continuing Connected Transactions are also only subject to the reporting and announcement requirements and are exempt from the independent shareholders' approval requirement of the Listing Rules. If the values of the transactions of a similar nature to the Yangzhou Shipping Continuing Connected Transactions between the Group and the COSCO Group for each of the three years ended 31 December 2006 and the two months ended 28 February 2007 are aggregated with values of the Yangzhou Shipping Continuing Connected Transactions for the corresponding period, the relevant percentage ratios are still all less than 2.5% and the relevant transactions are still only subject to the reporting and announcement requirements under the Listing Rules.

The Yangzhou Logistics Continuing Connected Transactions and the Yangzhou Shipping Continuing Connected Transactions were not previously disclosed as the Board believed that Yangzhou Yuanyang was not a subsidiary of the Company as it has always been accounted for as a jointly controlled entity in the Company's consolidated financial statements, the treatment of which was agreed by the auditors of the Group, and that accordingly Yangzhou Ports is not a connected person of the Company and the Yangzhou Logistics Continuing Connected Transactions and the Yangzhou Shipping Continuing Connected Transactions were not transactions of the Group. It is because, according to the Hong Kong Accounting Standards 31 "Interests in Joint Ventures" issued by the Hong Kong Institute of Certified Public Accountants, a company is classified as a joint venture if it is established under a contractual arrangement concerning joint control over the joint venture. Under the joint venture agreement of Yangzhou Yuanyang dated 18 February 2004, most of the major financial and operating decisions of Yangzhou Yuanyang require the unanimous votes from all of the directors of Yangzhou Yuanyang. Thus, the Group has accounted for its investment in Yangzhou Yuanyang as a jointly controlled entity in the Group's audited consolidated financial statements which were prepared in accordance with Hong Kong Financial Reporting Standards. However, the Stock Exchange has recently considered that Yangzhou Yuanyang is a subsidiary of the Company for the purposes of the Listing Rules. This announcement is issued in compliance with the disclosure requirements under Rule 14A.34 of the Listing Rules.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

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 Board considers that the Yangzhou Logistics Continuing Connected Transactions and the Yangzhou Shipping Continuing Connected Transactions are entered into in the ordinary and usual course of business of the Group and on normal commercial terms and that the terms thereunder are fair and reasonable and in the interests of the shareholders of the Company as a whole. The independent non-executive directors of the Company have concurred with such views of the Board.

DEFINITIONS

“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of directors of the Company
“Company”	COSCO Pacific Limited
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“COSCO”	China Ocean Shipping (Group) Company (中國遠洋運輸(集團)總公司), a company established in the PRC and the ultimate controlling shareholder of the Company
“COSCO Group”	COSCO and COSCON and their respective associates (excluding the Group)
“COSCON”	COSCO Container Lines Company Limited (中遠集裝箱運輸有限公司), a limited liability company established in the PRC and a subsidiary of COSCO
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	People’s Republic of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules
“Yangzhou Logistics Continuing Connected Transactions”	the provision of logistics services contemplated under the Yangzhou Ancillary Loading and Unloading Transportation Services Agreements
“Yangzhou Ancillary Loading and Unloading Transportation Services Agreements”	the Ancillary Loading and Unloading Transportation Services Agreements dated 28 February 2004 and 1 January 2005 entered into between Yangzhou Ports Modern Logistics and Yangzhou Yuanyang
“Yangzhou Ports”	Yangzhou Ports (Group) Limited (揚州港務集團有限公司), a company established in the PRC which holds a 40% equity interest in Yangzhou Yuanyang
“Yangzhou Ports Group”	Yangzhou Ports and its subsidiaries
“Yangzhou Ports Modern Logistics”	Yangzhou Ports Modern Logistics Centre (揚州港現代物流中心), a company established in the PRC and a wholly-owned subsidiary of Yangzhou Ports
“Yangzhou Shipping Continuing Connected Transactions”	the provision of shipping related services by Yangzhou Yuanyang to the COSCO Group since 2004

“Yangzhou Yuanyang” Yangzhou Yuanyang International Ports Co. Ltd.
(揚州遠揚國際碼頭有限公司), a sino-foreign equity joint venture company established in the PRC, the equity interest of which is owned as to more than 50% by the Group and thus is a subsidiary of the Company

“US\$” United States dollars, the lawful currency of the United States of America

By Order of the Board
COSCO Pacific Limited
XU Minjie
Vice Chairman & Managing Director

Hong Kong, 23 March 2007

As at the date of this announcement, members of the Board are Dr. WEI Jiafu² (Chairman), Mr. CHEN Hongsheng¹, Mr. LI Jianhong¹, Ms. SUN Yueying¹, Mr. XU Lirong², Mr. XU Minjie¹ (Vice Chairman & Managing Director), Dr. SUN Jiakang², 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**.*