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## **COSCO Pacific Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1199)**

### **CONTINUING CONNECTED TRANSACTIONS**

On 23 March 2007, the Group entered into the following agreements in relation to certain continuing connected transactions of the Company:

- (i) the COSCON Shipping Services Master Agreement for a term of three years up to 31 December 2009;
- (ii) the APM Shipping Services Master Agreement for a term of three years up to 31 December 2009; and
- (iii) the COSCON Container Services Agreement to effectively renew the term of the COSCON Container Services Master Agreement from 23 March 2007 to expire on 31 December 2009.

As it is expected that one or more percentage ratio(s) in relation to the Continuing Connected Transactions will exceed 2.5%, accordingly, such continuing connected transactions are subject to the reporting, announcement and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

The Board has appointed the Independent Board Committee to consider and advise the independent shareholders of the Company on the terms of the Continuing Connected Transactions, and an independent financial adviser will be appointed by the Company to provide its opinion to the Independent Board Committee and the independent shareholders of the Company in respect of the Continuing Connected Transactions.

A circular containing, amongst other things, information relating to the Continuing Connected Transactions, a letter from the independent financial adviser, the recommendation of the Independent Board Committee and a notice of the SGM will be despatched to the Shareholders as soon as practicable.

### **THE CONTINUING CONNECTED TRANSACTIONS**

#### **(1) COSCON Shipping Services Master Agreement**

**Date:** 23 March 2007

**Parties:** COSCO Ports  
COSCO  
COSCON

**Duration:** 1 January 2007 to 31 December 2009

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

**Terms:** On normal commercial terms and at rates no less favourable to the relevant members of the COSCO Ports Group than that at which the relevant members of the COSCO Ports Group charge independent third party customers for the relevant services.

**Proposed annual cap:** Consideration payable by the COSCO Group (including COSCON):

<b>For the year ending 31 December 2007</b>	<b>For the year ending 31 December 2008</b>	<b>For the year ending 31 December 2009</b>
US\$34,929,000 ( <i>Note</i> )	US\$51,272,000	US\$52,629,000

*Note:* The annual cap for the year 2007 supersedes the annual cap set out in the announcement of the Company dated 3 June 2005 in relation to continuing connected transactions contemplated under the Shipping Services Master Agreement dated 3 June 2005 entered into between COSCO, COSCON, COSCO Ports and Zhangjiagang Win Hanverky Container Terminal Co., Ltd. (a subsidiary of COSCO Ports).

**Basis of the proposed annual cap:** By reference to the nature of the transactions, the aggregate annual values of the transactions for the three years ended 31 December 2006 of US\$1,693,012<sup>(*Note*)</sup>, US\$2,377,460 and US\$4,117,464 respectively, the existing scale and operations of the businesses of the COSCO Ports Group, the anticipated growth and development of such businesses (including commencement of operations of new berths, such as the 4 new berths at the port of Quanzhou of 5,000 to 50,000 dwt which commenced operation in September 2006, 2 new berths of 100,000 dwt at the port of Nansha, Guangzhou which commenced operation in the first quarter of 2007 and 4 more new berths the operations of which are expected to commence in the last quarter of 2007 and possible acquisitions of new berths) and the anticipated demand for such services.

*Note:* The annual value of the transactions for the year ended 31 December 2004 represented the value of shipping related services provided by the COSCO Ports Group to the COSCO Group at all the ports which were operated and owned by the members of the COSCO Ports Group, including the ports of Zhangjiagang and Yangzhou, i.e. it comprised the annual value of the transactions for the year ended 31 December 2004 in respect of services provided at the port of Zhangjiagang as disclosed in the announcement of the Company dated 3 June 2005.

## (2) APM Shipping Services Master Agreement

**Date:** 23 March 2007

**Parties:** COSCO Ports  
the Line

**Duration:** 1 January 2007 to 31 December 2009

**Nature of transaction:** Provision of shipping related services by members of the COSCO Ports Group to the Line, including but not limited to the handling, storage and maintenance of cargoes.

**Terms:** On normal commercial terms.

**Proposed annual cap:** Consideration payable by the Line:

<b>For the year ending 31 December 2007</b>	<b>For the year ending 31 December 2008</b>	<b>For the year ending 31 December 2009</b>
US\$15,000,000	US\$34,000,000	US\$46,000,000

**Basis of the proposed annual cap:** By reference to the nature of the transactions, the aggregate annual values of the transactions for the three years ended 31 December 2006 of US\$380,989, US\$588,879 and US\$895,832 respectively, the existing scale and operations of the businesses of the COSCO Ports Group, the anticipated growth and development of such businesses (including commencement of operations of new berths, such as the 2 new berths of 100,000 dwt at the port of Nansha, Guangzhou which commenced operation in the first quarter of 2007 and 4 more new berths the operations of which are expected to commence in the last quarter of 2007 and possible acquisitions of new berths) and the anticipated demand for such services.

### **(3) Container Services Master Agreement (as amended by the COSCON Container Services Agreement)**

**Date of the COSCON Container Services Agreement:** 23 March 2007

**Parties:** Plangreat  
COSCO  
COSCON

**Duration:** Effectively renewed from 23 March 2007 to expire on 31 December 2009

**Nature of transaction:** Provision of container related services by Plangreat and its subsidiaries to members of the COSCO Group (including COSCON), including but not limited to maintenance, handling, stevedoring, repair, import, export, loading, discharging, transshipment, collection, delivery, storage, shifting, restowage and disposal of containers, lighter berthing, midstream operation and trailers' transportation.

**Terms:** At rates no less favourable to Plangreat and its subsidiaries than that at which Plangreat and its subsidiaries charge independent third parties for the relevant services.

**Proposed annual cap:** Consideration payable by the COSCO Group (including COSCON):

<b>For the year ending 31 December 2007</b>	<b>For the year ending 31 December 2008</b>	<b>For the year ending 31 December 2009</b>
US\$7,501,000 ( <i>Note</i> )	US\$7,501,000	US\$7,501,000

*Note:* Since it is expected that the value of the 2007 COSCON Container Continuing Connected Transactions may be higher than that set out in the announcement of the Company dated 28 December 2006 (under which a revision of the annual cap for the year ending 31 December 2007 stated in the announcement of the Company dated 3 June 2005 was announced), the Company has proposed a revised annual cap therefor as above.

**Basis of the proposed annual cap:** By reference to the nature of the transactions, the aggregate annual values of the transactions for the three years ended 31 December 2006 of US\$6,619,000, US\$6,346,000 and US\$7,234,000 respectively, the existing scale and operations of the businesses of Plangreat and its subsidiaries and the anticipated demand for such services as a result of predicted volume of containers.

## **RELATIONSHIP BETWEEN THE COMPANY AND THE COUNTERPARTIES TO THE AGREEMENTS**

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.

APM Terminals Invest Company Limited, which is a subsidiary of APM, has been a substantial shareholder of a subsidiary of the Company since 5 September 2006. The Line is majority-owned by APM and is therefore an associate of APM Terminal Invest Company Limited. Accordingly, the Line is a connected person of the Company.

The Line's principal business activities are to carry out activities in respect of vessels owned or operated by APM, including soliciting cargo, issuing bills of lading, settling freight charges and entering into service contracts.

As it is expected that one or more percentage ratio(s) in relation to the Continuing Connected Transactions will exceed 2.5%, such continuing connected transactions are subject to the reporting, announcement and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

The Company will comply with the requirements under Rule 14A.36 of the Listing Rules if any approved annual cap set out above is exceeded.

## **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 Continuing Connected Transactions are consistent with the business and commercial objectives of the Group and will increase the revenue of the Group.

The Board also considers that the Continuing Connected Transactions are and will be entered into in the ordinary and usual course of business of the Group and on normal commercial terms and that the terms of the Agreements are fair and reasonable and in the interests of the Shareholders as a whole. The independent non-executive Directors will render their views after receipt of the letter of the independent financial adviser to be appointed.

## **GENERAL**

The Board has appointed the Independent Board Committee to consider and advise the independent shareholders of the Company on the terms of the Continuing Connected Transactions, and an independent financial adviser will be appointed by the Company to provide its opinion to the Independent Board Committee and the independent shareholders of the Company in respect of the Continuing Connected Transactions.

A circular containing, amongst other things, information relating to the Continuing Connected Transactions, a letter from the independent financial adviser, the recommendation of the Independent Board Committee and a notice of the SGM will be despatched to the Shareholders as soon as practicable. In view of COSCO's interests in the COSCON Shipping Continuing Connected Transactions and the COSCON Container Continuing Connected Transactions, COSCO Pacific Investment Holdings Limited and COSCO Investments Limited, being subsidiaries of COSCO, will abstain from voting on the resolutions to be proposed at the SGM in respect of the COSCON Shipping Continuing Connected Transactions and the COSCON Container Continuing Connected Transactions. To the best of the Board's knowledge, information and belief, no Shareholder is required under the Listing Rules to abstain from voting on the resolutions to be proposed at the SGM in respect of the APM Shipping Continuing Connected Transactions.

## **DEFINITIONS**

“2007 COSCON Container Continuing Connected Transactions”	the provision of container related services contemplated under the COSCON Container Services Master Agreement (as amended by the COSCON Container Services Agreement) for the year 2007
“Agreements”	the COSCON Shipping Services Master Agreement, the APM Shipping Services Master Agreement and the COSCON Container Services Master Agreement (as amended by the COSCON Container Services Agreement)
“APM”	A.P. Moller — Maersk A/S a company incorporated in Denmark with limited liability
“APM Shipping Continuing Connected Transactions”	the provision of shipping related services contemplated under the APM Shipping Services Master Agreement for the years 2007, 2008 and 2009
“APM Shipping Services Master Agreement”	the Shipping Services Master Agreement dated 23 March 2007 entered into between COSCO Ports and the Line

“associate(s)”	has the meaning ascribed thereto in the Listing Rules, except that the words “or holding company or a fellow subsidiary of any such holding company” at the end of paragraph (b)(iv) of the definition of “associate” under rule 1.01 of the Listing Rules are deemed to be deleted for the purposes of this announcement
“Board”	the board of Directors
“Company”	COSCO Pacific Limited
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Continuing Connected Transactions”	the COSCON Shipping Continuing Connected Transactions, the APM Shipping Continuing Connected Transactions and the COSCON Container Continuing Connected Transactions
“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)
“COSCO Ports”	COSCO Ports (Holdings) Limited (中遠碼頭控股有限公司), a company established in the British Virgin Islands and a wholly-owned subsidiary of the Company
“COSCO Ports Group”	COSCO Ports and its subsidiaries
“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
“COSCON Container Continuing Connected Transactions”	the provision of container related services contemplated under the COSCON Container Services Master Agreement (as amended by the COSCON Container Services Agreement) for the years 2007, 2008 and 2009
“COSCON Container Services Agreement”	the agreement dated 23 March 2007 entered into between Plangreat, COSCO and COSCON which effectively renewed the term of the COSCON Container Services Master Agreement from 23 March 2007 to expire on 31 December 2009 and changed the definitions of “associates” and “COSCO Group” in the COSCON Container Services Master Agreement
“COSCON Container Services Master Agreement”	the Container Services Master Agreement dated 3 June 2005 entered into between Plangreat, COSCO and COSCON
“COSCON Shipping Continuing Connected Transactions”	the provision of shipping related services contemplated under the COSCON Shipping Services Master Agreement for the years 2007, 2008 and 2009

“COSCON Shipping Services Master Agreement”	the Shipping Services Master Agreement dated 23 March 2007 entered into between COSCO Ports, COSCO and COSCON
“Director(s)”	the director(s) of the Company
“dwt”	dead weight ton
“Group”	the Company and its subsidiaries
“Independent Board Committee”	an independent committee of the Board comprising Dr. LI Kwok Po, David, Mr. LIU Lit Man, Mr. CHOW Kwong Fai, Edward and Mr. Timothy George FRESHWATER, who are the independent non-executive Directors
“independent shareholders”	has the meaning ascribed thereto in the Listing Rules
“Line”	entities trading under the names of Maersk Line, Safmarine, MCC or any other future names with majority ownership by APM
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Plangreat”	Plangreat Limited, a company established in the British Virgin Islands and a wholly-owned subsidiary of the Company
“PRC”	People’s Republic of China
“SGM”	the special general meeting of the Company to be convened to approve, inter alia, the Continuing Connected Transactions
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules
“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 Jiafu<sup>2</sup> (Chairman), Mr. CHEN Hongsheng<sup>1</sup>, Mr. LI Jianhong<sup>1</sup>, Ms. SUN Yueying<sup>1</sup>, Mr. XU Lirong<sup>2</sup>, Mr. XU Minjie<sup>1</sup> (Vice Chairman & Managing Director), Dr. SUN Jiakang<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**.*