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COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 1199)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF SHAREHOLDING INTEREST IN CHONG HING BANK LIMITED

AND

RESUMPTION OF TRADING

Financial Adviser to COSCO Pacific Limited

 **ROTHSCHILD**

Independent Financial Adviser

to the Independent Board Committee and the Independent Shareholders

 **DBS**

SUMMARY

The Board is pleased to announce that on 24 August 2007 the Company entered into a conditional Sale and Purchase Agreement with the Purchaser, pursuant to which the Company agreed to sell and the Purchaser agreed to purchase (a) the Sale Shares, representing the entire issued share capital of Bauhinia 97; and (b) the rights of and benefits in the Sale Loan for an aggregate cash consideration of HK\$2,088 million. Bauhinia 97 is an investment holding company and its sole asset is 87 million Bank Shares, representing a 20% shareholding interest in the Bank as at the date of this announcement. The Consideration translates to an implied valuation of HK\$24.00 per Bank Share.

The Disposal constitutes a major transaction for the Company under the Listing Rules as the asset ratio for the Disposal exceeds 25% but is less than 75%. As COSCO is a substantial shareholder and a connected person of the Company, and the Purchaser is a wholly-owned subsidiary of COSCO and thus an associate of COSCO, the Disposal also constitutes a connected transaction for the Company under the Listing Rules and is, accordingly, subject

to the approval of the Independent Shareholders at the SGM. Since COSCO is also a substantial shareholder of CCH, an indirect holding company of the Company which is also listed on the Main Board of the Stock Exchange, the Disposal also constitutes a connected transaction for CCH under the Listing Rules and is subject to the approval of the independent shareholders of CCH.

COSCO Pacific Investment and COSCO Investments are indirect subsidiaries of COSCO, which together hold approximately 51.05% of the total issued share capital of the Company as at the date of this announcement. Since the Purchaser is a wholly-owned subsidiary of COSCO, COSCO and its associates will abstain from voting on the ordinary resolution to be proposed at the SGM for the approval of the Disposal. An independent board committee comprising Mr. Chow Kwong Fai, Edward (the Chairman of the committee) and Dr. Li Kwok Po, David, both being independent non-executive Directors, has been formed to advise the Independent Shareholders in respect of the Disposal. DBS Asia Capital Limited has been appointed as the Independent Financial Adviser to provide its advice and recommendation to the independent board committee of the Company and the Independent Shareholders in respect of the Disposal.

A circular containing, among other things, further details of the Disposal, the recommendation from the independent board committee of the Company, the advice and recommendation from the Independent Financial Adviser and a notice to convene the SGM, will be despatched to the Shareholders as soon as practicable.

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9.30 a.m. on 24 August 2007 pending the release of this announcement. An application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange from 9.30 a.m. on 27 August 2007.

1. THE SALE AND PURCHASE AGREEMENT DATED 24 AUGUST 2007

Parties:

Vendor : the Company

Purchaser : the Purchaser, a wholly-owned subsidiary of COSCO, the ultimate controlling shareholder of the Company

Assets being disposed of:

- (a) the Sale Shares, representing the entire issued share capital of Bauhinia 97; and
- (b) the rights of and benefits in the Sale Loan. For reference purpose, based on the unaudited management accounts of Bauhinia 97 for the six months ended 30 June 2007, which have been prepared in accordance with accounting principles generally accepted in Hong Kong, the Sale Loan amounted to approximately US\$169.6 million (equivalent to approximately HK\$1,322.7 million) as at 30 June 2007.

Pursuant to the Sale and Purchase Agreement, the interim dividend for the six months ended 30 June 2007 in respect of the 87 million Bank Shares held by Bauhinia 97 shall belong to and be kept in Bauhinia 97.

Please refer to the section headed “Information on Bauhinia 97 and the Bank” for further details.

Cash Consideration:

HK\$2,088 million in cash in aggregate for the Sale Shares and the Sale Loan shall be payable in full upon Completion. The Consideration is on a dollar for dollar basis in respect of the Sale Loan with the remainder attributable to the Sale Shares and no adjustment will be required in respect of any subsequent changes in the amount of the Sale Loan prior to Completion.

The Consideration was determined after commercial negotiations between the parties at arm’s length basis and with reference to the strategic value of the investment in the Bank, the recent financial performance of the Bank, the recent trading performance of the Bank Shares, the comparable precedent transactions and the price to book ratio of 1.68 times the unaudited net asset value of the Bank as at 30 June 2007.

The Consideration translates to an implied valuation of HK\$24.00 per Bank Share held by Bauhinia 97 (calculated by dividing the Consideration by the 87 million Bank Shares held by Bauhinia 97) which represents:

- (a) a premium of approximately 33.19% over the closing share price of HK\$18.02 per Bank Share as quoted on the Stock Exchange on 24 August 2007, being the date of the Sale and Purchase Agreement (the “Last Trading Day”);
- (b) a premium of approximately 29.66% over the average closing share price of approximately HK\$18.51 per Bank Share as quoted on the Stock Exchange over the last 30 trading days up to and including the Last Trading Day;
- (c) a premium of approximately 25.39% over the average closing share price of approximately HK\$19.14 per Bank Share as quoted on the Stock Exchange over the last 180 trading days up to and including the Last Trading Day;
- (d) an implied price earnings ratio of approximately 20.69 times the earnings per Bank Share of approximately HK\$1.16 for the year ended 31 December 2006; and
- (e) a premium of approximately 68.42% over the unaudited net asset value of approximately HK\$14.25 per Bank Share as at 30 June 2007.

Conditions precedent:

Completion of the Sale and Purchase Agreement is conditional upon the following conditions having been fulfilled or waived in accordance with the Sale and Purchase Agreement on or before 31 March 2008:

- (a) the passing by the Independent Shareholders at the SGM (at which COSCO Investments, COSCO Pacific Investment and their respective associates shall abstain from voting) of an ordinary resolution approving the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (b) the passing by the independent shareholders of CCH at its extraordinary general meeting (at which COSCO and its associates shall abstain from voting) of an ordinary resolution approving the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (c) the granting of the written consent by HKMA pursuant to section 70 of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) to the Purchaser becoming a minority shareholder controller (as defined under the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) of the Bank by virtue of the acquisition of the Sale Shares pursuant to the Sale and Purchase Agreement (subject to any conditions which may be imposed by HKMA, to which neither the Purchaser nor the Company may unreasonably object); and
- (d) if so required, the obtaining of all such other regulatory approvals and government consents of any relevant jurisdiction as may be necessary for the entering into of the Sale and Purchase Agreement and/or for Completion.

If the aforesaid conditions have not all been fulfilled by 31 March 2008 or such other day as the Company and the Purchaser shall agree, the Sale and Purchase Agreement shall lapse and neither the Company nor the Purchaser shall have any claim against the other party except in respect of any antecedent claim or breach.

Completion:

Completion of the Sale and Purchase Agreement shall take place on the second business day after the fulfillment of the above conditions (or such other date as may be agreed by the Company and the Purchaser).

2. INFORMATION ON BAUHINIA 97 AND THE BANK

Bauhinia 97

Bauhinia 97 is a company incorporated in the Cayman Islands. It is an investment holding company and a wholly-owned subsidiary of the Company. Bauhinia 97 has no business operation other than its holding of 87 million Bank Shares, representing 20% of the entire issued share capital of the Bank as at the date of this announcement.

The following table sets out the summarised financial information of Bauhinia 97 (which has included Bauhinia 97's share of net assets and results of the Bank under the equity method) as extracted from the management accounts of Bauhinia 97 for the years ended 31 December 2005 and 2006 and for the six months ended 30 June 2007:

(Unaudited)

	For the year ended 31 December			
	2005		2006	
	<i>US\$'000</i>	<i>HK\$'000 equivalent</i>	<i>US\$'000</i>	<i>HK\$'000 equivalent</i>
Profit before and after taxation	<u>10,023</u>	<u>78,179</u>	<u>12,777</u>	<u>99,661</u>
			As at 31 December 2006	
			<i>US\$'000</i>	<i>HK\$'000 equivalent</i>
Net asset value			<u>474</u>	<u>3,697</u>
			As at 30 June 2007	
			<i>US\$'000</i>	<i>HK\$'000 equivalent</i>
Net asset value			<u>8,144</u>	<u>63,523</u>

The Bank

The Bank is a company incorporated in Hong Kong and a bank licenced by the HKMA pursuant to the Banking Ordinance, Chapter 155 of the Laws of Hong Kong and is listed on the Main Board of the Stock Exchange. The Bank and its subsidiaries are principally engaged in the business of retail and commercial banking and financial services.

The following table sets out the summarised financial information of the Bank as extracted from its published audited financial statements for the years ended 31 December 2005 and 2006 and its published unaudited financial statements for the six months ended 30 June 2007:

(Audited)

	For the year ended 31 December	
	2005	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	468,801	570,914
Profit after taxation	<u>397,983</u>	<u>503,144</u>

As at 31 December 2006
HK\$'000

Net asset value	<u>6,051,730</u>
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(Unaudited)

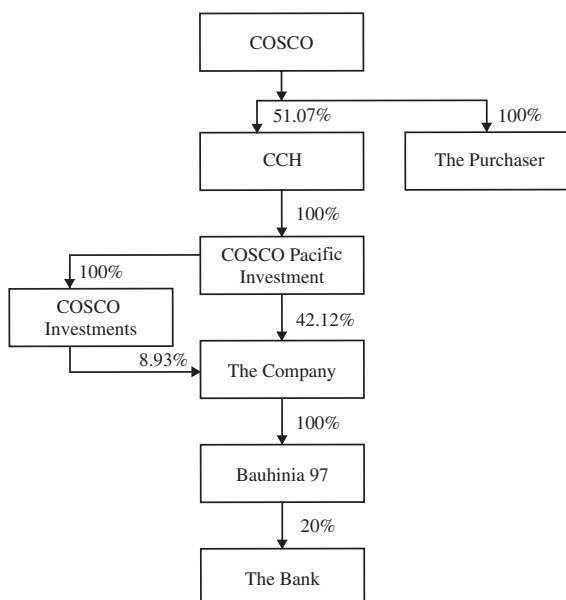
As at 30 June 2007
HK\$'000

Net asset value	<u>6,198,912</u>
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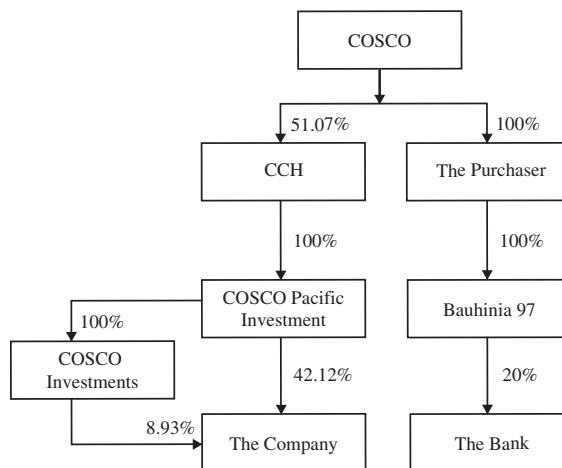
3. SIMPLIFIED CORPORATE STRUCTURE

The following sets out the simplified corporate structures in respect of the shareholding of CCH, the Company, Bauhinia 97 and the holding of 20% shareholding interest in the Bank as at the date of this announcement and immediately after Completion:

As at the date of this announcement



Immediately after Completion



4. BACKGROUND TO, AND REASONS FOR, THE DISPOSAL

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

The Group acquired 87 million Bank Shares in 1997, representing 20% of the issued share capital of the Bank as at the date of this announcement, and has held its investment in the Bank as a long-term investment since then. Over the past 10 years, the Group has continuously modified and refined its corporate strategies with a view to enhancing its enterprise value for the Shareholders. The Group has adopted a vision to transform its business model by becoming a leading global port operator and by focusing on ports as the principal earnings driver. As such, the Group's holding in the 20% shareholding interest in the Bank has become a non-core investment. The Disposal provides an opportunity for the Group to divest its non-core investment and the cash consideration from the Disposal will be used for investments in its core businesses. The Group intends to apply the Consideration primarily to new and existing terminal investments. However, no negotiations or agreements on specific new terminal investment to which the Consideration may be applied have been finalised as at the date of this announcement.

The Directors expect that the Group will realise an estimated gain of approximately US\$89.9 million (equivalent to approximately HK\$701.2 million) from the Disposal. The estimated gain on the Disposal is calculated with reference to the Consideration and the Group's share of net assets of the 20% shareholding interest of the Bank as at 30 June 2007 as reflected in the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2007. The actual gain on the Disposal will be subject to change as the amount will be calculated based on the Group's share of net assets of the Bank as of the date of Completion.

The Directors (excluding the independent non-executive Directors who have been appointed as members of the independent board committee to advise the Independent Shareholders in respect of the Disposal, who will provide their views after considering the opinion of the Independent Financial Adviser) are of the opinion that the Sale and Purchase Agreement is on normal commercial terms and in the ordinary and usual course of business of the Group, and its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. LISTING RULES IMPLICATIONS

The Disposal constitutes a major transaction for the Company under the Listing Rules as the asset ratio for the Disposal exceeds 25% but is less than 75%. As COSCO is a substantial shareholder and a connected person of the Company, and the Purchaser is a wholly-owned subsidiary of COSCO and thus an associate of COSCO, the Disposal also constitutes a connected transaction for the Company under the Listing Rules and is, accordingly, subject to the approval of the Independent Shareholders at the SGM. Since COSCO is also a substantial shareholder of CCH, an indirect holding company of the Company which is also listed on the Stock Exchange, the Disposal also constitutes a connected transaction of CCH under the Listing Rules and is subject to the approval of the independent shareholders of CCH.

COSCO Pacific Investment and COSCO Investments (being indirect subsidiaries of COSCO) together hold approximately 51.05% of the total issued share capital of the Company as at the date of this announcement. Since the Purchaser is a wholly-owned subsidiary of COSCO, COSCO and its associates will abstain from voting on the ordinary resolution to be proposed at the SGM for the approval of the Disposal. An independent board committee comprising Mr. Chow Kwong Fai, Edward (the Chairman of the committee) and Dr. Li Kwok Po, David, both being independent non-executive Directors, has been formed to advise the Independent Shareholders in respect of the Disposal. DBS Asia Capital Limited has been appointed as the Independent Financial Adviser to provide its advice and recommendation to the independent board committee of the Company and the Independent Shareholders in respect of the Disposal.

6. GENERAL

N M Rothschild & Sons (Hong Kong) Limited has been appointed as financial adviser to the Company in relation to the Disposal.

A circular containing, among other things, further details of the Disposal, the recommendation from the independent board committee of the Company, the advice and recommendation from the Independent Financial Adviser and a notice to convene the SGM, will be despatched to the Shareholders as soon as practicable.

7. RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9.30 a.m. on 24 August 2007 pending the release of this announcement. An application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. on 27 August 2007.

8. DEFINITIONS

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

“associates”	has the same meaning ascribed thereto under the Listing Rules
“Bank”	Chong Hing Bank Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Main Board of the Stock Exchange
“Bank Share(s)”	ordinary share(s) of HK\$0.50 each in the capital of the Bank
“Bauhinia 97”	Bauhinia 97 Limited, a company incorporated in the Cayman Islands with limited liability and a wholly-owned subsidiary of the Company
“Board”	the board of Directors
“CCH”	China COSCO Holdings Company Limited, a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Main Board of the Stock Exchange and the A shares of which are listed on the A shares market of the Shanghai Stock Exchange, and an indirect holding company of the Company
“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 and purchase of the Sale Shares and Sale Loan pursuant to and in accordance with the Sale and Purchase Agreement

“Consideration”	the aggregate cash consideration for the Sale Shares and the Sale Loan
“COSCO”	China Ocean Shipping (Group) Company, a company established under the laws of the PRC and the ultimate controlling shareholder of the Company
“COSCO Investments”	COSCO Investments Limited, a company incorporated in the British Virgin Islands with limited liability and registered under Part XI of the Companies Ordinance of Hong Kong, which holds 8.93% of the issued share capital of the Company as at the date of this announcement and an indirect subsidiary of COSCO
“COSCO Pacific Investment”	COSCO Pacific Investment Holdings Limited, a company incorporated in Hong Kong with limited liability which holds 42.12% of the issued share capital of the Company as at the date of this announcement and an indirect subsidiary of COSCO
“Directors”	the directors of the Company
“Disposal”	the disposal by the Company of the Sale Shares and Sale Loan to the Purchaser pursuant to the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“HKMA”	Hong Kong Monetary Authority
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than COSCO Pacific Investment and COSCO Investments and their respective associates
“Independent Financial Adviser”	DBS Asia Capital Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China
“Purchaser”	COSCO (Hong Kong) Group Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of COSCO

“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 24 August 2007 entered into between the Company and the Purchaser in relation to the sale and purchase of the Sale Shares and Sale Loan
“Sale Loan”	the unsecured and non-interest bearing loan outstanding and owing from Bauhinia 97 to the Company and repayable on demand as at the date of Completion
“Sale Shares”	two ordinary shares of US\$1.00 each in the issued share capital of Bauhinia 97
“SGM”	the special general meeting of the Company to be convened to approve, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder
“Shareholders”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America

Solely for convenience and except as otherwise noted, this announcement contains translations of United States dollar amounts into Hong Kong dollars at a rate of US\$1 = HK\$7.8.

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

Hong Kong, 24 August 2007

As at the date of this announcement, the Board of Directors of the Company are Dr. WEI Jiafu² (Chairman), Mr. CHEN Hongsheng¹, Mr. LI Jianhong¹, Mr. XU Lirong², Ms. SUN Yueying¹, 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