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**COSCO Pacific Limited**  
*(Incorporated in Bermuda with limited liability)*  
**(Stock Code : 1199)**

**DISCLOSEABLE TRANSACTION  
ESTABLISHMENT OF A JOINT VENTURE COMPANY  
AND  
ACQUISITION OF LAND USE RIGHTS AND CONSTRUCTION OF  
CONTAINER TERMINAL IN XIAMEN**

The Company is pleased to announce that on 8 November 2007, CP Xiamen, a wholly-owned subsidiary of the Company, entered into the JV Agreement and the Articles of Association with the PRC Partner in relation to the establishment of the JV Company to invest in, construct and operate the Container Terminal. On the same day, CP Xiamen also entered into the Cooperation Agreement and the Memorandum with the PRC Partner and/or Xiamen Haicang Government. Pursuant to the Cooperation Agreement, the JV Company and the PRC Partner shall enter into the Terminal Construction Engagement Agreement after the establishment of the JV Company.

The formation of the JV Company and the transactions contemplated under the Agreements constitute a discloseable transaction of the Company under the Listing Rules. A circular containing further information on the establishment of the JV Company and the Agreements will be despatched to the shareholders of the Company as soon as practicable.

## THE AGREEMENTS

### 1. JV Agreement and Articles of Association

- Date : 8 November 2007
- Parties : CP Xiamen, a wholly-owned subsidiary of the Company; and the PRC Partner.
- Registered capital of the JV Company : RMB1,331,000,000, of which:
- (i) 30% (being RMB399,300,000) will be contributed in cash by the PRC Partner; and
  - (ii) 70% (being RMB931,700,000 or its equivalent in foreign currency) will be contributed in cash by CP Xiamen.

Timing of the contribution will depend on the funding needs of the JV Company, but in any event each JV Party is required to pay 30% of its contribution within three months of the date of issue of the business licence of the JV Company and all contributions are to be made within two years of such date of issue.

The contribution of CP Xiamen will be funded by the Group's internal resources and/or from external financing.

- Total investment amount of the JV Company : RMB3,991,000,000.

The difference between the total investment amount and the registered capital may be met by bank borrowings by the JV Company (with or without pro rata guarantees by the JV Parties or security on the assets of the JV Company), shareholders' loans granted to the JV Company (with or without interest) or issuance of debentures or other financial securities.

- Term of the joint venture : 50 years from the date of issue of the business licence of the JV Company, and may be extended by agreement between the JV Parties.

- Purpose of the JV Company : To invest in, construct and operate the Container Terminal. However, if not all of berth nos. 14 to 17 are approved by regulatory authorities to be used as container terminal berths, the scope of the joint venture and (subject to regulatory approval) the total investment amount and registered capital of the JV Company will be reduced accordingly.
- Board of directors of the JV Company : The board of directors of the JV Company will comprise seven directors, two of whom will be appointed by the PRC Partner and five of whom will be appointed by CP Xiamen. The chairman and vice chairman of the board will be appointed by CP Xiamen and the PRC Partner respectively.
- Pre-emptive right : The transfer of interest in registered capital of the JV Company by a JV Party is subject to the other JV Party's pre-emptive right and the other JV Party not having any reasonable objection.
- First right of cooperation : Where permitted by law and within the PRC Partner's power and authority, if the PRC Partner needs cooperation in relation to other new container terminals (other than the first berth to the west of berth no. 19 of the port of Xiamen Haicang), it shall first offer such right of cooperation to CP Xiamen.
- Restrictive covenant : Before the annual throughput of the Container Terminal reaches 1,700,000 TEUs (twenty-foot equivalent units), no JV Party may, without the consent of the other JV Party, invest in the construction or operation of any other similar new container terminal at the port of Xiamen (other than berth nos. 20 to 22 at the port of Haicang, Xiamen) with any other person, except for investment in non-controlling stakes in existing port and shipping companies.
- Conditions precedent : The JV Agreement is conditional upon:
- (i) the Cooperation Agreement having been entered into among Xiamen Haicang Government, CP Xiamen and the PRC Partner;
  - (ii) the project regarding the Container Terminal having been approved by 中華人民共和國國家發展和改革委員會 (National Development and Reform Commission\*); and
  - (iii) the approval of the JV Agreement by the relevant authorities having been obtained.

Preparation Committee : The JV Parties agree to contribute pro rata a sum of RMB1,000,000 (or such other amount as agreed between the JV Parties from time to time) as imprest funds for the operation of the Preparation Committee, which will be refunded to the JV Parties after the establishment of the JV Company.

When established, the JV Company will be a subsidiary of the Company.

## **2. Cooperation Agreement**

Date : 8 November 2007

Parties : Xiamen Haicang Government;  
CP Xiamen; and  
the PRC Partner.

Procurement of JV Company to enter into agreements : CP Xiamen and the PRC Partner have agreed to procure the JV Company to enter into the Terminal Construction Engagement Agreement, the Transfer of Land Use Rights Agreements and the Land Integrated Development Agreements (the forms of which are annexed to the Cooperation Agreement) in accordance with the terms of the Cooperation Agreement.

Transfer of land pursuant to the Transfer of Land Use Rights Agreements : The land on which the Container Terminal is situated from the waterfront up to a width of 810 metres, with the first phase (the "First Phase") being up to a width of 572 metres (i.e 862,576 square metres for the First Phase) and the rest being the second phase (the "Second Phase") (i.e. 358,904 square metres for the Second Phase). The Container Terminal is located at berth nos. 14 to 17 at the western port area of Haicang, Xiamen, PRC.

Consideration : *The First Phase*

For the First Phase, the land use rights fee for a term of 50 years payable by the JV Company to Haicang Land Reserves Bureau (being RMB414,036,480), the land integrated development fee payable by the JV Company to Haicang Land Development Services Centre (tentatively being RMB371,960,000, calculated as described below) and the construction price payable by the JV Company to the PRC Partner under the Terminal Construction Engagement Agreement (being RMB2,058,000,000, subject to adjustment) total RMB2,844,000,000 for the four berths (i.e. RMB711,000,000 per berth), which will be settled in the following manner:

- (i) as to 20%, being the land use rights fee and part of the land integrated development fee, is payable within one month after the formation of the JV Company;
- (ii) as to 60%, being the progress payment for the construction of the Container Terminal, is payable in accordance with the Terminal Construction Engagement Agreement; and
- (iii) as to 20%, being the remaining balance, is payable within one month after the completion, delivery and verification of the construction works,

as further detailed in the Terminal Construction Engagement Agreement and the Land Integrated Development Agreement and the Transfer of Land Use Rights Agreement for the First Phase, which will all be entered into after the establishment of the JV Company.

The land integrated development fee for the First Phase will be RMB2,844,000,000 less the land use rights fee and construction price for the First Phase.

The parties agreed that the ratio of the area of laden container yard to the area of empty container yard shall not exceed the ratio of 75%:25%.

### *The Second Phase*

For the Second Phase, the land use rights fee for a term of 50 years payable by the JV Company to Haicang Land Reserves Bureau (being RMB172,273,920), the land integrated development fee payable by the JV Company to Haicang Land Development Services Centre and the construction price payable by the JV Company to the PRC Partner total RMB488,000,000.

The land for the Second Phase will be delivered in stages to the JV Company for its use and the JV Company will make payment accordingly.

The land integrated development fee for the Second Phase will be RMB488,000,000 less the land use rights fee and construction price for the Second Phase.

The terms for the construction of the Second Phase and the payment terms of the land use rights fee and the land integrated development fee for the Second Phase are to be agreed between the parties. In the event of agreement(s) being reached on such terms for construction or payment terms, the Company will comply with the applicable requirements of the Listing Rules.

### *General*

If, upon approval by the National Development and Reform Commission of the PRC, the JV Company is not able to obtain the right to invest in and operate all of the four berths or not all four berths are approved to be used as container terminal berths, the area of the land, the land use rights fees, the land development compensation fees and the construction prices will be adjusted accordingly.

The payment of the land use rights fees, the land integrated development fees and the construction prices will be funded by the JV Company's capital and/or shareholders' loans granted by the JV Parties and/or external financing.

First right of cooperation : Xiamen Haicang Government agreed that, if there is a need of cooperation in relation to other new terminals in Haicang, Xiamen (except berth nos. 14 to 19), the right of cooperation will be first offered to CP Xiamen.

A summary of the major terms of the Terminal Construction Engagement Agreement is set out below.

### 3. Terminal Construction Engagement Agreement

- Parties : The JV Company; and  
the PRC Partner.
- Engagement : The JV Company engages the PRC Partner to construct the First Phase of the Container Terminal to bare terminal condition, which is proposed to be put into trial run in part by the end of 2008 and into full operation in the first half of 2009.
- Construction price : RMB2,058,000,000 (subject to adjustment as described below), payable in the following manner:
- (1) as to RMB1,234,800,000, being 60% of the construction price, is payable within 30 days of completion of the construction of the principal part of the underwater construction works of the bare terminal up to a depth of +5.4 metre and backfill of yard area up to a depth of +7 metre (save and except the area affected by flood drainage of berth nos. 14 and 16);
  - (2) as to RMB411,600,000, being 20% of the construction price, is payable within 30 days of completion of the construction of the principal part of the underwater construction works of the bare terminal up to a depth of +7.5 metre;
  - (3) as to RMB411,600,000, being the balance of the construction price, is payable within one month after completion, delivery and verification of the construction works.

The construction price payable will be adjusted in accordance with the actual amount of work done.

If, upon approval by the National Development and Reform Commission of the PRC, the JV Company is not able to obtain the right to invest in and operate all of the four berths or not all four berths are approved to be used as container terminal berths, the scope of the works and the construction price will also be adjusted accordingly.

#### 4. Memorandum

- Date : 8 November 2007
- Parties : CP Xiamen; and  
the PRC Partner.
- Acquisition and use  
of land : The JV Parties will procure the JV Company to obtain the relevant land use rights in accordance with the Cooperation Agreement, and will contribute additional registered capital to the JV Company on a pro rata basis for such purpose.

Any excess land (the “Excess Land”) which is surplus to the JV Company’s needs may be transferred or leased to either JV Party or their affiliated entities at cost (including the costs of acquisition and development of the Excess Land). If both JV Parties or their affiliated entities wish to use the Excess Land, it will be granted to the JV Party or its affiliated entity which offers the higher price (and if both JV Parties or their affiliated entities offer the same price, it will be granted to CP Xiamen’s affiliated entity). In the event of such transfer or lease of the Excess Land, the Company will comply with the applicable requirements of the Listing Rules.

After the land use rights acquired by the JV Company have fully fulfilled the development needs of the JV Company, all or any of the land proposed to be acquired by the JV Company will be acquired by the PRC Partner or will be used for cooperation between the JV Company and the PRC Partner if CP Xiamen so requests (i.e. the JV Company can use such land as consideration to cooperate with the PRC Partner to do new business). In the event of such cooperation with the PRC Partner, the Company will comply with the applicable requirements of the Listing Rules.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiry, the PRC Partner, Xiamen Haicang Government, Haicang Land Reserves Bureau and Haicang Land Development Services Centre are third parties independent of the Company and its connected persons.



## **REASONS FOR THE FORMATION OF THE JOINT VENTURE COMPANY AND ENTERING INTO THE AGREEMENTS**

Haicang terminal is located in Xiamen of Fujian Province which is a major deep-water port along the southeastern coastal region in China. In 2006, Xiamen port handled approximately 4 million TEUs representing a year-on-year increase of 20% over 2005, which ranked seventh busiest port in China. Xiamen port is aimed by Xiamen Government to become an international hub port mainly handling international container cargos. In 2010, the container throughput is forecasted by Xiamen Government to reach approximately 8 million TEUs.

Following the Bohai Rim, Yangtze River Delta and Pearl River Delta port regions, the Central People's Government of the PRC has classified the Western Coast of the Taiwan Straits as a significant economic zone along the southeastern coast of China. The senior management of the Company believes that the investment in Container Terminal will further strengthen the Group's controlling rights in its portfolio of investment in ports along the southeastern coast of China.

The amounts of consideration under the Agreements were determined after arm's length negotiations among the parties thereto by reference to the price of similar terminals. The Board believes that the terms of the Agreements are fair and reasonable and are in the interests of the shareholders of the Company as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

The formation of the JV Company and the transactions contemplated under the Agreements constitute a discloseable transaction of the Company under the Listing Rules. A circular containing further information on the establishment of the JV Company and the Agreements will be despatched to the shareholders of the Company as soon as practicable.

## **GENERAL**

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

The PRC Partner is principally engaged in property development, project construction, property management, logistics and trading businesses.

Haicang Land Reserves Bureau is principally engaged in land resources planning, protection, utilization and management in Haicang district.

Haicang Land Development Services Centre is principally engaged in land development in Haicang district.

## DEFINITIONS

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

“Agreements”	the JV Agreement, the Articles of Association, the Cooperation Agreement, the Memorandum, the Terminal Construction Engagement Agreement, the Transfer of Land Use Rights Agreements and the Land Integrated Development Agreements
“Articles of Association”	the articles of association of the JV Company dated 8 November 2007 entered into between CP Xiamen and the PRC Partner
“Board”	the board of Directors
“Company”	COSCO Pacific Limited
“connected person”	has the meaning ascribed to it under the Listing Rules and references to “connected” and “independent” shall be construed accordingly
“Container Terminal”	the proposed container terminal at berth nos. 14 to 17 at the port of Haicang, Xiamen in the PRC with a quay length of 377 metres each
“Cooperation Agreement”	the cooperation agreement dated 8 November 2007 entered into among Xiamen Haicang Government, CP Xiamen and the PRC Partner
“CP Xiamen”	COSCO Ports (Xiamen Haicang) Limited (中遠碼頭(廈門海滄)有限公司), a company established in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Haicang Land Development Services Centre”	廈門市海滄區土地開發服務中心 (Xiamen City Haicang District Land Development Services Centre*)

“Haicang Land Reserves Bureau”	廈門市國土資源與房產管理局海滄分局 (Land Reserves Administrative Bureau of Haicang District, Xiamen City*)
“JV Agreement”	the agreement dated 8 November 2007 entered into between CP Xiamen and the PRC Partner in relation to the establishment of the JV Company
“JV Company”	Xiamen Yuanhai Container Terminal Co., Ltd. (廈門遠海集裝箱碼頭有限公司), a sino-foreign equity joint venture company proposed to be incorporated in the PRC to carry out the construction and operation of the Container Terminal
“JV Parties”	CP Xiamen and the PRC Partner, and “JV Party” means either of them
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Land Integrated Development Agreements”	the agreements to be entered into between the JV Company and the Haicang Land Development Services Centre in relation to the clearance, relocation and backfilling of the First Phase and the Second Phase respectively
“Memorandum”	the memorandum dated 8 November 2007 entered into between CP Xiamen and the PRC Partner
“PRC”	the People’s Republic of China
“PRC Partner”	廈門海滄投資總公司 (Xiamen Haicang Investment General Co.), a state owned enterprise in the PRC established by 廈門市國有資產授權投資管理機構 /部門 (Authorised administrative department of state owned enterprise of Xiamen City*)
“Preparation Committee”	the preparation committee to be established by the JV Parties prior to the establishment of the JV Company, to set up the JV Company and manage the project before the establishment of the JV Company
“RMB”	Renminbi, the lawful currency of the PRC

- “Terminal Construction Engagement Agreement” the agreement to be entered into between the JV Company and the PRC Partner in relation to the construction of the First Phase of the Container Terminal after the JV Company is established
- “Transfer of Land Use Rights Agreements” the agreements to be entered into between the JV Company and Haicang Land Reserves Bureau in relation to the transfer of the land use rights of the First Phase and the Second Phase respectively
- “Xiamen Haicang Government” 廈門市海滄區人民政府 (Xiamen Haicang District Government)
- \* The unofficial English transliterations or translations are for identification purposes only.

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

Hong Kong, 8 November 2007

*As at 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>, Mr. XU Lirong<sup>2</sup>, Ms. SUN Yueying<sup>1</sup>, Mr. XU Minjie<sup>1</sup> (Vice Chairman & Managing Director), Dr. SUN Jiakang<sup>2</sup>, Dr. 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