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COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 1199)

CONNECTED TRANSACTION

IN RELATION TO DEVELOPMENT OF BERTH AT ZHANGJIAGANG PORT

On 4 December 2007, the Joint Venture and the Contractor entered into the Agreement, whereby the Contractor was engaged to carry out the Development. The Joint Venture is a sino-foreign equity joint venture established in the PRC and owned by a wholly-owned subsidiary of the Company and Zhangjiagang Port Group as to 51% and 49% respectively.

Being a wholly-owned subsidiary of Zhangjiagang Port Group, the Contractor is therefore a connected person of the Company. Accordingly, the Agreement constitutes a connected transaction of the Company. As one or more of the applicable percentage ratios in respect of the Total Service Fee exceed 0.1% but are all less than 2.5%, the Agreement 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

4 December 2007

Parties

1. the Contractor, a wholly-owned subsidiary of Zhangjiagang Port Group
2. the Joint Venture, a sino-foreign equity joint venture established in the PRC and owned by a wholly-owned subsidiary of the Company and Zhangjiagang Port Group as to 51% and 49% respectively

Engagement

The Contractor is engaged by the Joint Venture to carry out the Development. The construction period is currently expected to last for six months.

Service Fee and Expenses on Material

In consideration of the Contractor providing services in relation to the Development, the Joint Venture will pay Service Fee up to a maximum of RMB38,000,000. Expenses on Material will be reimbursed to the Contractor by the Joint Venture on an as incurred basis up to a maximum of RMB58,000,000.

The Service Fee and Expenses on Material will be payable or reimbursed (as the case may be) by the Joint Venture in the following manner:

1. The Joint Venture will, within seven days from the signing of the Agreement, prepay to the Contractor 30% of the maximum Total Service Fee and Total Expenses on Material, being the sum of RMB28,800,000.
2. Thereafter, the Joint Venture will, after taking into account the prepayment referred to above, pay to the Contractor a Service Fee calculated based on the progress of the Development and reimburse the Contractor the Expenses on Material incurred each month, until the aggregate payments or reimbursements reach 90% of their respective maxima referred to above.
3. The Joint Venture will, within seven days after verification of completion of the Development, pay 50% of the remaining unpaid portion of the Total Service Fee and the Total Expenses on Material to the Contractor.
4. The balances of the Total Service Fee and the Total Expenses on Material will be payable and reimbursed by the Joint Venture to the Contractor upon the expiry of the one-year warranty period.

The Service Fee payable under the Agreement was determined after arm's length negotiations between the parties thereto by reference to the price of similar depot reconstruction project. The Service Fee is currently intended to be funded by the Joint Venture's internal resources, shareholders' loans and/or external financing.

CONNECTED TRANSACTION

Being a wholly-owned subsidiary of Zhangjiagang Port Group, the Contractor is therefore a connected person of the Company. Accordingly, the Agreement constitutes a connected transaction of the Company. As one or more of the applicable percentage ratios in respect of the Service Fee exceed 0.1% but are all less than 2.5%, the Agreement 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 AND BENEFITS OF ENTERING INTO THE AGREEMENT

Due to the increase in the volume of containers handled by the Joint Venture, the existing container yard of the Berth can hardly meet its operation and development requirements. The development of the container vanning and devanning businesses in 2008 will impose an even higher demand on the area of the container yard. Accordingly, there is an urgent need for carrying out the Development.

The Contractor has been selected to carry out the Development because it is a general construction organisation with technological capabilities, reputable construction performance and experience in the construction of container yards.

The board of directors of the Company (including the independent non-executive directors) believes that the Agreement is on normal commercial terms and that the terms of the Agreement 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 managing and operating container terminals, container leasing, container management, the logistics, container manufacturing and related businesses and other investments.

The Joint Venture is principally engaged in the construction and management of public port facilities, cargo loading and unloading, repair and rental of containers and related delivery and warehousing.

The scope of business of the Contractor includes municipal and public construction, building construction, foundation and infrastructure construction, electricity and water installation, port development and construction, port machinery manufacturing and maintenance, electrical equipment maintenance, steel structure manufacturing and installation, etc.

DEFINITIONS

Term	Meaning
“Agreement”	the agreement dated 4 December 2007 between the Joint Venture and the Contractor in relation to the Development
“Berth”	berth no. 17 of the Zhangjiagang Port in the PRC
“Company”	COSCO Pacific Limited
“Contractor”	張家港港務集團有限公司港口實業分公司 (Zhangjiagang Port Group Co. Ltd. Port Industry Branch*)
“Development”	the depot reconstruction project of the Berth
“Expenses on Material”	expenses incurred on materials used for the Development
“Group”	the Company and its subsidiaries
“Joint Venture”	Zhangjiagang Win Hanverky Container Terminal Co., Ltd.
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Service Fee”	the service fee payable by the Joint Venture to the Contractor for the provision of services pursuant to the Agreement

“Total Expenses on Material”	the aggregate amount of Expenses on Material to be reimbursed to the Contractor by the Joint Venture, which is subject to a maximum of RMB58,000,000
“Total Service Fee”	the aggregate amount of Service Fee payable by the Joint Venture to the Contractor, which is subject to a maximum of RMB38,000,000
“Zhangjiagang Port Group”	張家港港務集團有限公司 (Zhangjiagang Port Group Co. Ltd.*)

* *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, 4 December 2007

As at the date of this announcement, the 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, Dr. 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