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

## **DISCLOSEABLE TRANSACTION SALE AND LEASE BACK OF MARINE CONTAINERS**

On 2 July 2008, Florens and CBA USD Investments entered into, amongst other documents, the Equipment Procurement Agreement and the Lease Agreement.

Pursuant to the Equipment Procurement Agreement, Florens has agreed on or about the Closing Date to transfer to CBA USD Investments legal and equitable ownership of and title to certain marine containers owned by Florens. Pursuant to the Equipment Procurement Agreement and the Lease Agreement, Florens shall lease back such marine containers from CBA USD Investments.

It is a condition of the Lease Agreement that the aggregate price of the marine containers to be purchased by CBA USD Investments under the Equipment Procurement Agreement does not exceed the Facility Limit.

As a condition of the Lease Agreement, the Company entered into the Guarantee in favour of CBA USD Investments under which the Company has guaranteed to CBA USD Investments the due and punctual payment of all outstanding sums owed by Florens and all obligations of Florens under, amongst other documents, the Lease Agreement.

The terms of the Equipment Procurement Agreement, the Lease Agreement and the Guarantee have been negotiated on an arm's length basis. The Board considers that the Equipment Procurement Agreement, the Lease Agreement and the Guarantee are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

As the applicable percentage ratio(s) (as defined in the Listing Rules) of the transaction under the Equipment Procurement Agreement and the Lease Agreement are more than 5% but less than 25%, the transaction constitutes a discloseable transaction of the Company under the Listing Rules. A circular in relation to the transaction will be dispatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

### **I. INTRODUCTION**

On 2 July 2008, Florens and CBA USD Investments entered into, amongst other documents, the Equipment Procurement Agreement and the Lease Agreement.

Pursuant to the Equipment Procurement Agreement, Florens has agreed on or about the Closing Date to transfer to CBA USD Investments legal and equitable ownership of and title to certain marine containers owned by Florens. Pursuant to the Equipment Procurement Agreement and the Lease Agreement, Florens shall lease back such marine containers from CBA USD Investments.

It is a condition of the Lease Agreement that the aggregate price of the marine containers to be purchased by CBA USD Investments under the Equipment Procurement Agreement does not exceed the Facility Limit.

As a condition of the Lease Agreement, the Company entered into the Guarantee in favour of CBA USD Investments under which the Company has guaranteed to CBA USD Investments the due and punctual payment of all outstanding sums owed by and all obligations of Florens under, amongst other documents, the Lease Agreement.

None of the members of the Group have any previous transactions with CBA USD Investments or its ultimate beneficial owners and there were no transactions that need to be aggregated with the transaction in the announcement.

The principal terms of the Equipment Procurement Agreement, the Lease Agreement and the Guarantee are set out below.

#### **A. THE EQUIPMENT PROCUREMENT AGREEMENT**

Date : 2 July 2008

Parties : 1. CBA USD Investments  
2. Florens

Assets to be sold : Sale Assets, namely, marine containers to be transferred from Florens to CBA USD Investments on or about the Closing Date, with an aggregate value of up to the Facility Limit.

The net book value (cost less accumulated depreciation) of the Sale Assets as at 31 December 2007 and the estimated net book value (cost less accumulated depreciation) of the Sale Assets as at 30 June 2008 were approximately US\$246.8 million and US\$242.3 million, respectively.

The unaudited net profits (before and after taxation) attributable to the Sale Assets as at 8 July 2008 for the two years ended 31 December 2007 (as extracted from the management accounts of Florens) were as follows:

	<b>For the year ended 31 December 2006 Approximately</b>	<b>For the year ended 31 December 2007 Approximately</b>
Net profit before and after taxation	US\$0.3 million	US\$3.4 million

Nature of the Transaction : Pursuant to the Equipment Procurement Agreement, Florens has agreed to transfer to CBA USD Investments legal and equitable ownership of and title to the marine containers owned by Florens on or about the Closing Date.

Consideration and Payment Arrangements : The price payable by CBA USD Investments for the purchase of marine containers (the "Purchase Price") shall be agreed between Florens and CBA USD Investments on the basis of due diligence enquiries of the marine containers conducted by Australasian Asset Residual Management, a business name registered by the Bank in Australia, which is a party independent from Florens and a specialist in residual value risk management. It is estimated that the aggregate of the Purchase Price payable under the Equipment Procurement Agreement and other costs to be incurred by CBA USD Investments under the Lease Agreement is approximately US\$250.0 million and shall be paid by CBA USD Investments in immediately available funds.

Under the terms of the Equipment Procurement Agreement, the Purchase Price of the marine containers which CBA USD Investments may be required to purchase from Florens shall not exceed US\$250.0 million (equivalent to approximately HK\$1,950.0 million). Such maximum amount was determined and agreed by the parties having regard to the marine containers likely selected by Florens for this transaction and the limits of CBA USD Investments' investment allocation for such marine containers.

Payment of the Purchase Price of the marine containers by CBA USD Investments will be funded by the Facility given by the Bank to CBA USD Investments in accordance with the Loan Agreement.

Delivery Terms : Pursuant to the Equipment Procurement Agreement, when Florens delivers a Request Notice, CBA USD Investments will calculate the Rent payable by Florens. Florens has no obligation to lease the relevant marine containers from CBA USD Investments if it does not agree with the Rent determined by CBA USD Investments. Upon Florens' agreeing to the Rent determined by CBA USD Investments, Florens shall become irrevocably committed to lease the relevant marine containers from CBA USD Investments pursuant to the Lease Agreement. There will not be any physical delivery by Florens to CBA USD Investments of the marine containers sold to CBA USD Investments pursuant to the Equipment Procurement Agreement.

Application of sale proceeds : The proceeds from the sale of the marine containers under the Equipment Procurement Agreement will be used as general working capital and/or for funding such investment projects as the Group may enter into in the future should suitable opportunities arise.

## **B. THE LEASE AGREEMENT**

- Date : 2 July 2008
- Parties : 1. CBA USD Investments (Lessor)  
2. Florens (Lessee)
- Nature of the Transaction : Pursuant to the Lease Agreement, CBA USD Investments has agreed to lease to Florens, and Florens has agreed to lease from CBA USD Investments, the marine containers purchased on the Closing Date by CBA USD Investments from Florens under the terms of the Equipment Procurement Agreement.
- Lease Term : Unless terminated earlier in accordance with the terms of the Lease Agreement, the lease of the marine containers shall commence on the Commencement Date and shall end on the fifth anniversary of the Commencement Date, subject to the Lease Extension Option.
- Lease Extension Option : CBA USD Investments has granted a lease extension option to Florens, which must be exercised by Florens at least six months but not more than eight months from the expiry date of the original term (the "Lease Extension Option"). If exercised, the lease term of all marine containers under the Lease Agreement will be extended for a further term of five years from the original expiry date.
- Consideration and Payment Arrangements : Upon receipt of a Request Notice from Florens, CBA USD Investments will calculate the Rent payable by Florens, which shall be determined on the basis on a methodology negotiated on an arm's length basis and which Florens considers to be on normal commercial terms.
- Florens must pay the Rent for the leased marine containers to CBA USD Investments on a quarterly basis during the term of lease for those marine containers. Late payment of Rent attracts interest.
- Delivery Terms : As CBA USD Investments will not have physical possession of the marine containers purchased by it from Florens pursuant to the Equipment Procurement Agreement, CBA USD Investments will not be required to physically deliver such marine containers to Florens under the Lease Agreement.
- Payment upon Expiry of the Term : Florens has no payment obligations upon the expiry at maturity of the Lease Agreement so long as it has complied with the relevant terms, and made all relevant payments, under the Lease Agreement.

### **C. THE GUARANTEE**

- Date : 2 July 2008
- Parties : 1. The Company (Guarantor)  
2. CBA USD Investments
- Brief Description : As a condition of the Lease Agreement, the Company entered into the Guarantee in favour of CBA USD Investments under which the Company has guaranteed to CBA USD Investments the due and punctual payment of all outstanding sums owed by Florens and the due and punctual performance of all obligations of Florens under, amongst other documents, the Lease Agreement.

If any sums are not paid when due or are not paid in the manner or in the currency as the sums are required to be paid under the Lease Agreement, the Company must immediately on demand from CBA USD Investments pay to CBA USD Investments the outstanding sums in the same manner and currency as the outstanding sums are or were required to be paid under the Lease Agreement.

### **D. REASONS FOR THE TRANSACTION**

The proceeds of sale of the marine containers under the Equipment Procurement Agreement are intended to be used as general working capital and/or for funding such investment projects as the Group may enter into in the future should suitable opportunities arise. The lease-back of the marine containers pursuant to the Lease Agreement allows the Group to retain commercial control of the marine containers and hence to sublease them to customers and generate and retain the earnings generated from such subleasing over the period of lease.

Based on the estimated net book value of the Sale Assets as of 30 June 2008 and on the assumption that there will not be significant change in the estimated net book value of the Sale Assets as at the Closing Date, the Group is expected to realise an estimated gain of approximately US\$4.2 million (after taking into account taxes and direct expenses) from the transfer under the Equipment Procurement Agreement which is expected to be accounted for in the consolidated financial statements of the Company for the year ending 31 December 2008.

The terms of the Equipment Procurement Agreement, the Lease Agreement and the Guarantee have been negotiated on an arm's length basis. The Board considers that the Equipment Procurement Agreement, the Lease Agreement and the Guarantee are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

### **E. DISCLOSEABLE TRANSACTION**

As the applicable percentage ratio(s) (as defined in the Listing Rules) of the transaction under the Equipment Procurement Agreement and the Lease Agreement, pursuant to Rule 14.22 of the Listing Rules, are more than 5% but less than 25%, the transaction constitutes a discloseable transaction of the Company under the Listing Rules. A circular in relation to the transaction will be dispatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

## **F. 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.

Florens is an indirect wholly-owned subsidiary of the Company that is engaged principally in the business of container leasing.

CBA USD Investments is directly or indirectly wholly-owned by the Bank, which is one of Australia's leading providers of integrated financial services including retail, business and institutional banking, funds management, superannuation, insurance, investment and broking services. The Bank is one of the largest listed companies on the Australian Securities Exchange and is included in the Morgan Stanley Capital Global Index. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, CBA USD Investments and its ultimate beneficial owner(s) are Independent Third Parties.

## **G. DEFINITIONS**

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

“Bank”	The Commonwealth Bank of Australia;
“Board”	the board of Directors of the Company;
“CBA USD Investments”	CBA USD Investments Pty Limited, a company established under the laws of Australia;
“Closing Date”	currently expected to be on or about 8 July 2008 (unless the parties agree otherwise);
“Commencement Date”	for each marine container to be leased, means the later of: <ol style="list-style-type: none"><li>1. the date on which title to that marine container passes to CBA USD Investments in accordance with the Equipment Procurement Agreement; and</li><li>2. the date on which each condition precedent to the leasing of that marine container under the Lease Agreement has been satisfied or waived by CBA USD Investments in respect of that marine container;</li></ol>
“Company”	COSCO Pacific Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the main board of the Stock Exchange;
“Director(s)”	the director(s) of the Company;

“Equipment Procurement Agreement”	the equipment procurement agreement entered into between CBA USD Investments and Florens on 2 July 2008;
“Facility”	a loan facility made available by the Bank to CBA USD Investments under the Loan Agreement, which amount should not exceed Facility Limit;
“Facility Limit”	US\$250.0 million (equivalent to approximately HK\$1,950.0 million);
“Florens”	Florens Container Corporation S.A., a company established under the laws of the Republic of Panama and an indirect wholly-owned subsidiary of the Company;
“Guarantee”	the deed of guarantee entered into by the Company in favour of CBA USD Investments on 2 July 2008;
“Group”	the Company and its subsidiaries;
“HK\$” or “HK Dollars”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Third Party(ies)”	third parties who is/are independent of the Company and connected persons (as defined in the Listing Rules) of the Company;
“Lease Agreement”	the lease agreement entered into between CBA USD Investments and Florens on 2 July 2008;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Loan Agreement”	the loan agreement entered into between CBA USD Investments and the Bank on 2 July 2008;
“Rent”	in relation to each lease of marine containers, the amount set out in the acceptance certificate for that lease, which shall be paid on a quarterly basis;
“Request Notice”	in respect of each lease of marine containers, the notice given by Florens to CBA USD Investments in accordance with the Equipment Procurement Agreement and the Lease Agreement;
“Sale Assets”	the marine containers owned and operated by Florens which to be transferred under the Equipment Procurement Agreement from Florens to CBA USD Investments on or about the Closing Date, with an aggregate value of up to the Facility Limit;

“Shareholder(s)”	holder(s) of the share(s) in the capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“US\$” or “US Dollars”	U.S. dollars, the lawful currency of the United States of America; and
“%”	per cent.

Note: An exchange rate of US\$1.00 to HK\$7.80 has been used for the conversion of US Dollars into HK Dollars for the purpose of this announcement.

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

Hong Kong, 2 July 2008

As at the 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. YIN Weiyu<sup>1</sup>, Dr. LI Kwok Po, David<sup>3</sup>, Mr. CHOW Kwong Fai, Edward<sup>3</sup> and Mr. Timothy George FRESHWATER<sup>3</sup>.

1 Executive Director

2 Non-executive Director

3 Independent Non-executive Director