

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

POSSIBLE MAJOR TRANSACTION

PROPOSED CONCESSION AGREEMENT IN RELATION TO PIERS 2 AND 3 OF THE PIRAEUS PORT

Concession Agreement

Reference is made to the Company's announcements dated 4th June 2008, 10th June 2008 and 13th June 2008.

As disclosed in the announcement dated 13th June 2008, the Company was confirmed as the provisional highest bidder for the Concession by PPA in June 2008. Since then, the Company has been in negotiations with PPA over the terms of the formal Concession Agreement. The Board is pleased to announce that, following completion of negotiations with PPA over the terms of the Concession Agreement and finalisation of the same in early October 2008, the terms of the Concession Agreement have been approved in principle by the respective boards of directors of PPA and the Company. The material terms of the draft Concession Agreement are summarised below.

As of the date of this announcement, the Concession Agreement has not yet been signed, and it is intended that execution of the Concession Agreement between the Company, PCT, a wholly-owned subsidiary of the Company under establishment, and PPA may take place in November 2008. The Company will make an announcement (i) in the event that any of the material terms of the draft Concession Agreement are changed prior to execution; (ii) upon the execution of the Concession Agreement; and (iii) in the event of amendment of any material terms of the Concession Agreement after execution.

Pursuant to the Concession Agreement, in consideration of the payment specified below, PCT will take up the Concession to use exclusively and utilise commercially Pier 2, an existing pier in operation which handled a throughput of 1.37 million TEUs in 2007, and the area allocated for construction of the eastern section of the new Pier 3 of the Piraeus Port Container Terminal, together with related infrastructure, superstructure and facilities, for an initial term of 30 years, with a mandatory extension for a term of 5 years subject to PCT's fulfillment of its obligations to construct the eastern section of the Pier 3 of the Piraeus Port Container Terminal as provided under the Concession Agreement. PCT will be required to upgrade the facilities of the existing Pier 2 and construct the eastern section of the new Pier 3 according to the terms of the Concession Agreement.

The total consideration payable to PPA over the 35-year term of the Concession is estimated to amount to €831.2 million (equivalent to approximately HK\$8,312 million) in present value terms, comprising:

- (i) a one-off initial payment of €50 million (equivalent to approximately HK\$500 million) to be made within 15 days upon written notification by PPA to PCT of the enactment of the Law of Ratification and publication of the same in the Government Gazette;
- (ii) a 5-year installment payment of a total of €0.5 million (equivalent to approximately HK\$5 million) in present value terms, which is translated from the future nominal value of €0.7 million (equivalent to approximately HK\$7 million), to be payable by 5 equal yearly installments commencing from 1st January 2010;
- (iii) the aggregate of the concession fees payable to PPA over the entire term of the Concession, calculated by reference to the future actual revenue of PCT and a variable concession rate ranging from 21.0% (for the first to eighth year of the Concession) to 24.5% (from the ninth year of the Concession onwards) thereof, subject to a guaranteed minimum annual payment to PPA, to be paid on a monthly basis throughout the term of the Concession Agreement, with the difference between the actual concession fees and the guaranteed minimum annual payment (if any) payable by one annual payment after release and approval of the financial statements of PCT and within 4 months of the financial year end of PCT. Based on the forecasted aggregate revenue of PCT over the entire term of the Concession of up to €2,829.6 million (in present value) (equivalent to approximately HK\$28,296 million) as projected by the Company by reference to, among other things, the projected traffic volume of the Piraeus Port Container Terminal as contained in the traffic studies report produced by an independent shipping consultant, market intelligence on the operating environment of the container terminal business globally, in the Mediterranean region and in Greece, and the industry experience of the management team of the Company, it is estimated that the present value of the aggregate concession fees payable will amount to approximately €664.0 million (equivalent to approximately HK\$6,640 million); and
- (iv) the aggregate of the annual fees payable for the use of certain land, berthing docks and piers required for the operation of the Concession, calculated by reference to the existing and projected length (after completion of the construction of Pier 3) of berths made available for docking of container ships, and the existing and projected surface area (after completion of the construction of Pier 3) of the New Container Terminal, payable every 6 months during the term of the Concession Agreement, such rate to be adjusted annually by reference to CPI plus 2%, but in any event not less than 2%, which is projected to amount to up to €116.7 million (equivalent to approximately HK\$1,167 million) in present value terms.

The Directors consider that the terms of the draft Concession Agreement are on normal commercial terms, in the ordinary course of business of the Company and are fair and reasonable and in the interests of the Shareholders as a whole.

Implications under the Listing Rules

Upon its entry into force, the Concession Agreement would constitute a major transaction of the Company relating to an infrastructure project under the Listing Rules. Since COSCO Investments and COSCO Pacific Investment, which in aggregate hold 1,144,166,411 shares of the Company (representing an approximately 50.96% interest in the Company), have given their written approvals of the Concession Agreement, no physical general meeting will be held to approve the Concession Agreement pursuant to Rule 14.44 of the Listing Rules.

Following execution, a series of procedures will follow before the Concession Agreement will enter into force, including, among others, the passage of the Law of Ratification by the Greek Parliament and publication of the same in the Government Gazette, in each case within a specific time limit. **As the Concession Agreement may or may not enter into force, Shareholders and potential investors of the Company are advised to exercise caution in dealing with the Shares.**

Application for waiver from strict compliance of the Listing Rules

In view of the fact that written Shareholders' approval was already secured prior to its execution, and that the Company proposes to publish this announcement and a circular for Shareholders' information prior to entering into the Concession Agreement, the Company has applied for a waiver from strict compliance from Rule 14.34 of the Listing Rules.

Circular

A circular containing, among other things, further details of the Concession Agreement and the transactions contemplated thereunder will be dispatched to the Shareholders as soon as practicable.

BACKGROUND

In February 2008, PPA published an open international call for tender for the Concession, namely a concession for (i) the development, operation and commercial utilisation of the existing Pier 2; and (ii) the construction, operation and commercial utilisation of the eastern part of Pier 3 of the Piraeus Port Container Terminal. In response to such invitation for tender, the Company submitted the Bid in May 2008.

PROPOSED CONCESSION AGREEMENT

Reference is made to the Company's announcements dated 4th June 2008, 10th June 2008 and 13th June 2008.

As disclosed in the announcement dated 13th June 2008, the Company was confirmed as the provisional highest bidder for the Concession by PPA in June 2008. Since then, the Company has been in negotiations with PPA over the terms of the formal Concession Agreement. The Board is pleased to announce that, following completion of negotiations with PPA over the terms of the Concession Agreement and finalisation of the same in early October 2008, the terms of the Concession Agreement have been approved in principle by the respective boards of directors of PPA and the Company.

The material terms of the draft Concession Agreement are summarised below.

1. Date

As of the date of this announcement, the Concession Agreement has not yet been signed, and it is intended that execution of the Concession Agreement between the Company, PCT, a wholly-owned subsidiary of the Company under establishment, and PPA may take place in November 2008. The Company will make an announcement (i) in the event that any of the material terms of the draft Concession Agreement are changed prior to execution; (ii) upon the execution of the Concession Agreement; and (iii) in the event of amendment of any material terms of the Concession Agreement after execution.

2. Parties

- (i) PPA as the grantor of the Concession
- (ii) PCT as the concessionaire of the Concession
- (iii) the Company as the sole shareholder of PCT

3. Subject Matter

Pursuant to the Concession Agreement, PCT will take up the Concession to use exclusively and utilise commercially:

- (i) the existing areas and facilities of Pier 2, an existing pier in operation which handled a throughput of 1.37 million TEUs in 2007, with a surface area of 373,365 sq. m.; and
- (ii) the area allocated for construction of the eastern section of the new Pier 3 which will have a surface area of 152,672 sq. m.,

together with related infrastructure, superstructure, existing building installations and facilities including electricity distribution substations, vehicle entrance and exist points, network installations, empty container storage yards, refrigerated container installations, dangerous or fragile cargo installations, and all existing mechanical equipment and related information systems, including wireless communication network facilities.

4. Term of the Concession

The Concession will be an initial term of 30 years, commencing on the date PCT undertakes the operations of the New Container Terminal, which is currently scheduled to take place on 1st October 2009, with a mandatory extension for a term of 5 years subject to PCT's fulfillment of its obligations to construct the eastern section of the new Pier 3 as provided under the Concession Agreement. The term may also be extended for a corresponding period in the event of interruption of operation of the New Container Terminal not caused by PCT as specified in the Concession Agreement.

PPA will also have the right to unilaterally extend the term for a further period of 5 years by giving prior written notice of not later than 24 months prior to the expiry of the initial term. Nevertheless, in any event, the term of the Concession Agreement may not be extended beyond 42 years, being the duration of the concession of the Piraeus Port area obtained by PPA from the Republic of Greece pursuant to a concession contract entered into between the Republic of Greece and PPA dated 13th February 2002 (as amended), under which PPA acquired the exclusive right to use and commercially exploit the Piraeus Port area with power to undertake all measures required for the development thereof.

5. Consideration

The total consideration payable to PPA over the 35-year term of the Concession is estimated to amount to €831.2 million (equivalent to approximately HK\$8,312 million) in present value terms, comprising:

- (i) a one-off initial payment of €50 million (equivalent to approximately HK\$500 million) to be made within 15 days upon written notification by PPA to PCT of the enactment of the Law of Ratification and publication of the same in the Government Gazette;
- (ii) a 5-year installment payment of a total of €0.5 million (equivalent to approximately HK\$5 million) in present value terms, which is translated from the future nominal value of €0.7 million (equivalent to approximately HK\$7 million), to be payable by 5 equal yearly installments commencing from 1st January 2010;
- (iii) the aggregate of the concession fees payable to PPA over the entire term of the Concession, calculated by reference to the future actual revenue of PCT and a variable concession rate ranging from 21.0% (for the first to eighth year of the Concession) to 24.5% (from the ninth year of the Concession onwards) thereof, subject to a guaranteed minimum annual payment to PPA, to be paid on a monthly basis throughout the term of the Concession Agreement, with the difference between the actual concession fees and the guaranteed minimal annual payment (if any) payable by one annual payment after release and approval of the financial statements of PCT and within 4 months of the financial year end of PCT. Based on the forecasted aggregate revenue of PCT over the entire term of the Concession of up to €2,829.6 million (in present value) (equivalent to approximately HK\$28,296 million) as projected by the Company by reference to, among other things, the projected traffic volume of the Piraeus Port Container Terminal as contained in the traffic studies report produced by an independent shipping consultant, market intelligence on the operating environment of the container terminal business globally, in the Mediterranean region and in Greece, and the industry experience of the management team of the Company, it is estimated that the present value of the aggregate concession fees payable will amount to approximately €664.0 million (equivalent to approximately HK\$6,640 million); and
- (iv) the aggregate of the annual fees payable for the use of certain land, berthing docks and piers required for the operation of the Concession, calculated by reference to the existing and projected length (after completion of the construction of Pier 3) of berths made available for docking of container ships, and the existing and projected surface area (after completion of the construction of Pier 3) of the New Container Terminal, payable every 6 months during the term of the Concession Agreement, such rate to be adjusted annually by reference to CPI plus 2%, but in any event not less than 2%, which is projected to amount to up to €116.7 million (equivalent to approximately HK\$1,167 million) in present value terms.

Notes:

- (a) *All future nominal values of the considerations payable under the Concession Agreement were discounted to present value adopting a 9% discount rate as specified by the call for tender for the Concession.*
- (b) *The projected Concession fees referred in paragraph (iii) above payable are calculated under the following assumptions:*
 - (1) *Taking into account the findings of the traffic studies report of the Piraeus Port Container Terminal produced by an independent shipping consultant, the Company projects that both Pier 2 (as upgraded) and Pier 3 (upon completion of construction) will reach its maximum utilisation rate by 2026 and will be operating at full capacity thereafter until the end of the term of the Concession.*

- (2) *The customers of the Piraeus Port Container Terminal are broadly divided into 2 categories, namely gateway customers (who generally pay a higher fee) and transshipment customers (who generally pay a lower fee). According to the website of PPA, in 2007, the container traffic of the Piraeus Port Container Terminal for gateway and empty boxes accounted for approximately 66.5% whereas that of transshipment only accounted for 33.5%. Taking into account the findings of the traffic studies report of the Piraeus Port Container Terminal produced by an independent shipping consultant, it is estimated that during the term of the Concession, the customer mix of gateway traffic: transshipment traffic would range from 57: 43 as at the first year of the Concession to 85: 15 as at the last year of the Concession.*
- (3) *It is projected that the gateway tariff of the New Container Terminal will increase annually by 2.5%, which is in line with the projected average rate of increase of CPI of Greece during the term of the Concession Agreement, based on the existing tariff of the Piraeus Port Container Terminal. It is projected that the cumulative average growth rate for the transshipment tariff is approximately 2.4% during the term of the Concession.*

The Company will finance the capital requirements of PCT under the Concession Agreement by a combination of internal resources and external bank borrowings.

The consideration for the Concession was arrived at by reference to, among other things, the historical container traffic volume, gateway and transshipment customer mix of the Piraeus Port Container Terminal, the projected container throughput, gateway and transshipment customer mix of the New Container Terminal (including after completion of construction of Pier 3) as estimated by the professional shipping consultants engaged by the Company, the projected revenue, expenditure and capital commitment of the New Container Terminal, the growth potential of the New Container Terminal and Greece generally.

According to DTZ Debenham Tie Leung Limited, an independent valuer, the value of the Concession, prepared on a discounted cash flow basis, amounts to €886 million (equivalent to approximately HK\$8,860 million). Such valuation was made based on various assumptions, including:

- The conditions in which the business of the Concession are being operated and which are material to revenue and costs of the business will remain unchanged
- No hidden or unexpected conditions of the business might adversely affect the market value
- The current financial, economic, legal and political conditions which prevail in Greece and in the neighbouring cities/countries and which are material to the revenues generated by the Concession will remain unchanged
- The current taxation and legislation will remain unchanged
- Inflation, exchange rates and interest rates remain unchanged from the rates prevailing at the date of valuation
- The entire term of the Concession is 35 years
- Competent management, key personnel and technical staff will be maintained to support the ongoing operation

- There will be no major business disruptions through international crisis, industrial disputes, industrial accidents or severe weather conditions will affect the existing business
- The Concession will be free from claims and litigation
- Any statutory notice, requirements and operation of the Concession given or which will be given will not affect the Concession
- The Concession is not subject to unusual or onerous restrictions or encumbrance
- PCT, which will operate Piers 2 and 3 will be able to secure funds to repay its debts when they fall due
- PCT can keep abreast of the latest technological and regulatory development of the industry such that its competitiveness and profitability can be sustained

PricewaterhouseCoopers, the reporting accountants of the Company, will review the calculations of the discounted future estimated cash flows on which the valuation prepared by DTZ Debenhan Tie Leung Limited is based. The Directors also confirmed that such estimate was made after making due and careful enquiry. The full text of the valuation report of DTZ Debenhan Tie Leung Limited and the report from PricewaterhouseCoopers on the calculations of the discounted future estimated cash flows will be included in the circular of the Company containing other details of the Concession Agreement as referred in the paragraph headed "Circular" below.

As historically PPA has not prepared its accounts on a segment basis, no segment financial information solely on Pier 2 and Pier 3 (which is not yet in existence and is to be built by PCT), being the subject matter of the Concession, is available. For information purposes only, according to the annual report of PPA for the year ended 31st December 2007, the profits of PPA (which includes profits from the operations of Pier 2 as well as other business activities of PPA not related to the Concession) for the two financial years ended 31st December 2007, prepared in accordance with International Financial Reporting Standards, were as follows:

For the financial year ended 31st December 2006:

Profit before taxation	Profit after taxation
€17,453,000	€12,217,000

For the financial year ended 31st December 2007:

Profit before taxation	Profit after taxation
€33,451,000	€24,838,000

According to PPA's audited financial statements, the net asset value of PPA as at 31st December 2007 was €181,331,000 (equivalent to approximately HK\$1,813,310,000).

6. Entry into Force

It is anticipated that, after execution, the Concession Agreement will enter into force upon the fulfillment of the last of the following conditions precedent:

- (i) Within 15 days of execution of the Concession Agreement, PCT shall provide a letter of guarantee for an amount of €50 million (equivalent to approximately HK\$500 million) to secure the initial payment for the Concession of €50 million (equivalent to approximately HK\$500 million) by PCT.
- (ii) The executed Concession Agreement will then be ratified by the Greek Parliament and the Law of Ratification shall be published in the Government Gazette within 8 months from execution.

If the executed Concession Agreement is not ratified within the said period, and subject to any extension of time agreed to between the parties, each of PCT and PPA is entitled to give written notice to the other to terminate the Concession Agreement without liability to any party to the same and PPA shall forthwith return the letter of guarantee for €50 million (equivalent to approximately HK\$500 million) as mentioned in (i) above.

- (iii) Within 15 days upon notification in writing by PPA to PCT regarding the enactment of the Law of Ratification and the publication of the same in the Government Gazette, PCT shall pay the initial consideration of €50 million (equivalent to approximately HK\$500 million) to PPA. Upon payment, the letter of guarantee mentioned in (i) above shall be duly returned to PCT.
- (iv) Within 40 days of notification in writing by PPA to PCT regarding the enactment of the Law of Ratification and the publication of the same in the Government Gazette, but in any event not earlier than 14th August 2009, PCT shall
 - (a) provide the following letters of guarantee to PPA:
 - (1) a revolving standing letter of guarantee for an amount of €61.4 million (equivalent to approximately HK\$614 million), as general guarantee of performance of the obligations by PCT to operate both Pier 2 and Pier 3 in accordance with the Concession Agreement, to be renewed on an annual basis, which shall remain to be effective during the term of the Concession;
 - (2) a standing letter of guarantee for a sum of €21 million (equivalent to approximately HK\$210 million), as guarantee for the performance of PCT's obligations in respect of the upgrading of Pier 2, to be effective from 1st April 2010 or the date of commencement of the upgrading works, whichever is the earlier. The guaranteed amount will be reduced by 50% to €10.5 million (equivalent to approximately HK\$105 million) upon completion of the upgrading work of Pier 2 and certification of the same and such letter of guarantee will expire and will be returned to PCT 12 months after completion of the upgrading of Pier 2 or certification, whichever is the later; and
 - (3) a standing letter of guarantee for a sum of €42 million (equivalent to approximately HK\$420 million), as guarantee for the performance of PCT's obligations in respect of the construction of Pier 3, to be effective from the date of delivery of the site for construction of Pier 3 to PCT,

but in any event not earlier than 1st April 2011. The guaranteed amount will be reduced by 50% to €21 million (equivalent to approximately HK\$210 million) upon completion of the construction of Pier 3 and certification of the same and such letter of guarantee will expire and will be returned to PCT 12 months after completion of the construction of Pier 3 or certification, whichever is the later; and

- (b) notify PPA that the documents relating to project financing of PCT (where applicable) have been duly executed and will enter into force in accordance with their respective terms. If the relevant project financing documents are signed earlier than 14th August 2009, PCT has the right to submit the same at the time together with the letters of guarantee mentioned in paragraph (a) above earlier than 14th August 2009.
- (v) The Concession Agreement will become effective on the date upon which the last of the conditions precedent shall have been fulfilled.

In the event of failure on the part of PCT to perform its obligations within 15 days (subject to any further extension as may be agreed between the parties) of any of the deadlines as set out in paragraph (iv) above, PPA will be entitled to give notice to PCT to terminate the Concession Agreement and in such event, PCT shall pay a sum of €50 million (equivalent to approximately HK\$500 million) as liquidated damages to PPA.

Following the entry into force of the Concession Agreement, PPA shall deliver to PCT the premises of the New Container Terminal, including the installations and equipment comprised thereby, and such delivery must be completed by 30th September 2009. In the case of delay of delivery beyond 31st October 2009, PPA shall pay to PCT a sum of €30,000 (equivalent to approximately HK\$300,000) per day for each calendar of delay after 31st October 2009, up to a period of 30 days (i.e. up to 30th November 2009), after which delivery by PPA to PCT shall be deemed to be effective.

For an initial period of 6 to 8 months after PCT takes over the operation of the New Container Terminal, PCT will be required to use personnel provided by PPA as detailed in the subparagraph (ii) under the paragraph headed “8. B. Undertakings by PPA” to operate the New Container Terminal, and PCT will be free to use its own labour force to operate the New Container Terminal after such period.

7. Termination

A. Termination by PPA

PPA is entitled to give notice to terminate the Concession Agreement by reason of, among other things:

- (i) breach of PCT of its obligations under the Concession Agreement which affects materially the performance of the Concession Agreement or the operation of the New Container Terminal to the extent that further implementation of the Concession Agreement will be onerous for PPA and against bona fide and transactional ethics;

- (ii) insolvency of PCT or PCT is in the state of receivership;
- (iii) delay in payment of the consideration and interest accruing thereon in excess of 3 months;
- (iv) failure of PCT in achieving the projected minimum annual throughput stipulated in the Concession Agreement, cumulatively and for 3 consecutive years, unless the shortfall is offset by the excess annual throughput (i.e. by annual throughput in excess of the minimum stipulated in the Concession Agreement) achieved by PCT during the three year period immediately before. This ground for termination does not apply for the initial three years of the life of the Concession Agreement, ending on 31st December 2012;
- (v) failure of PCT to adhere to the timetable for upgrading of Pier 2 without cause;
- (vi) failure of PCT to adhere to the timetable for construction of Pier 3 without cause, in such case PPA may, at its option, either terminate the Concession Agreement or require PCT to pay a damage of €111.4 million (equivalent to approximately HK\$1,114 million) as damages within a period of not less than 100 days. Once paid, such amount will relieve PCT of any further obligation to construct Pier 3 and the site will be repossessed by PPA for exploitation of the same but excluding the establishment of a container terminal. Failure of PCT to make such payment will entitle PPA to present the letters of guarantee as referred to in the paragraph headed “Entry into Force” above for payment, demand PCT to submit a new letter of guarantee in substitution to the one presented for payment and reclaim possession of the site planned for the construction of Pier 3; or
- (vii) transfer of interests in PCT by the Company in violation of the restrictions as contained in the Concession Agreement.

B. Termination by PCT

PCT is entitled to give written notice to terminate the Concession Agreement by reason of:

- (i) breach of PPA of its obligations under the Concession Agreement which affects materially the performance of the Concession Agreement or the operation of the New Container Terminal to the extent that further implementation of the Concession Agreement is onerous for PCT and against bona fide and transactional ethics; or
- (ii) transfer of all or a substantial part of PPA’s business and its rights over the Piraeus Port area given under the law, to a third party other than succession between two previously separate entities.

8. Other Material Terms

A. Obligations of PCT

(i) Upgrading of Pier 2

PCT shall upgrade the facilities of the existing Pier 2 by performing certain work, including demolition of certain existing concrete structures, improvement to certain infrastructure such as reinforcement of concrete pavement and renovation of certain existing buildings, construction of certain infrastructure such as building of new power substations with corresponding electromechanical works. The upgrading work of Pier 2 set out above will be carried out in two phases and is scheduled to complete by 31st May 2011 and 31st May 2012, respectively. In addition, as part of the upgrading work, certain equipment will be installed on Pier 2 gradually and not later than 30th April 2014.

(ii) Construction of Pier 3

PCT shall construct the eastern section of the new Pier 3 by performing certain work, including infrastructure construction involving caisson construction, riprap foundation, underwater and above water land reclamation, improvement to certain infrastructure such as reinforcement of concrete superstructure and pavement, construction of certain infrastructure such as building of new power substations with corresponding electromechanical works and installation of equipment. The construction work of Pier 3 set out above is scheduled to commence not later than 24 months after PCT undertakes the operations of the New Container Terminal and delivery of the site for construction to Pier 3 to PCT, which shall not be earlier than 1st April 2011. Construction of Pier 3 is scheduled to be completed by 31st October 2015.

It is expected that the aggregate capital expenditure required to complete the upgrading of Pier 2 and the construction of Pier 3 will amount to €235.5 million (equivalent to approximately HK\$2,355 million) (in present value terms). The said capital expenditure will be incurred as the upgrading of Pier 2 and construction of Pier 3 progresses and will be paid to various parties such as suppliers of construction materials and equipment. Such capital expenditure will not constitute part of the payment to be paid to PPA. It is expected that Group will finance this capital expenditure by a combination of internal resources and external project financing and bank borrowing.

(iii) Sharing of Excess Profits

In the event that the internal rate of return of the Committed Investment is greater than 16%, any excess profits available for distribution shall be shared equally between PCT and PPA.

(iv) Financial Reporting

PCT shall prepare and submit its audited financial statements to PPA within 3

months of expiry of each fiscal year and shall prepare and submit unaudited interim accounts for the first 6 months of the fiscal year not later than 30 August of each year. Within 15 days of the expiry of each quarter, PCT shall also prepare and submit to PPA a report regarding the total throughput of each of Pier 2 and Pier 3, expressed in TEUs, together with revenue collected for each type of activity.

(v) ***Other Undertakings by PCT***

Pursuant to the Concession Agreement, PCT shall:

- (a) on the premises of the New Container Terminal, provide a total spectrum of harbour services and facilities expected of a modern port complex engaged in international commercial activities, and of a comparable position of strategic importance;
- (b) ensure the financial viability and continuation of operation of the New Container Terminal;
- (c) implement and enforce all measures contributory to safety of navigation, safety of harbour installation users and safety and health of its employees;
- (d) conform to all environmental protection requirements, as well as to conform to all relevant licenses and permits; and
- (e) cooperate with the authorities involved with respect to issues related to national security and to the maintenance of public order

B. Undertakings by PPA

Pursuant to the Concession Agreement, PPA shall, among other things:

- (i) relocate, at its own costs, the installations and networks of the oil pier currently located on site required for construction of the new Pier 3 and, subsequent to such relocation, deliver vacant possession of the said site to PCT;
- (ii) undertake to make available to PCT the personnel required for the operation of the New Container Terminal over a period of 6 months, and to be extended, at the option of PPA, by a further 2 months commencing on the date when PCT takes over the operation of the New Container Terminal, which is scheduled to take place on 1st October 2009, against payment of a fee equal to PPA's payroll expenditure for the relevant personnel, plus a 15% mark-up and applicable value added tax due. The specific terms and conditions for such arrangement will be contained in a separate agreement to that effect to be entered into between PPA and PCT. During the above-mentioned period, PCT will be required to use the personnel provided by PPA. Upon expiry of such period, PCT will be free to use its own labour force to operate the New Container Terminal.

Under the sub-contracting arrangement between PPA and PCT as set out above, each of the existing employees of PPA can decide whether he/she wish to be involved in the sub-contracting arrangement to work for PCT and the deadline to make such a decision falls on June 2009. Accordingly, at this point, the Company cannot predict with accuracy how many employees will be sub-contracted to work for PCT and accordingly the exact fees to be paid by PCT to PPA under such arrangement. On the assumption that all existing employees of PPA working on Pier 2 will be sub-contracted, based on the currently available financial information, the sub-contracting arrangement will be a discloseable transaction of the Company under the Listing Rules. The Company will make a separate announcement in accordance with the requirements of the Listing Rules once the exact number of employees to be sub-contracted to work for PCT and the fees to be paid to PPA can be reasonably ascertained; and

- (iii) unless otherwise agreed in writing, during the term of the Concession Agreement, refrain from taking any actions with a view to establishing elsewhere, within the Piraeus Port area, a separate container terminal and not to allow the loading of containers in any other place of the Piraeus Port area, including the western part of Pier 3 (if constructed in future), but excluding Pier 1 (which is currently operated and will continue to be operated by the PPA after the Concession Agreement entering into force) as well as the general cargo ship service areas unless otherwise agreed in writing.

C. Undertakings by the Company

Pursuant to the Concession Agreement, the Company as the sole shareholder of PCT will, among other things:

- (i) not effect amendment to the articles of association of PCT without the prior written consent of PPA, such consent shall not be unreasonably withheld;
- (ii) contribute, as share capital of and/or shareholder's loan to PCT, not less than €45 million (equivalent to approximately HK\$450 million), of which not less than €22.5 million (equivalent to approximately HK\$225 million) shall be contributed by way of share capital. In addition, the ratio of (a) Committed Investment to (b) Committed Investment already committed plus loans due should at all times be not less than 20%;
- (iii) not alter the shareholding structure of PCT until the construction of Pier 3 has completed, and a 2 year period subsequent to such date has lapsed, during such time the Company can only transfer its shareholding in PCT to affiliated companies and on the condition that the administrative powers of PCT shall be retained by a shareholder with previous relevant experience related to harbour administration and management upon the prior written consent of PPA, such consent shall not be unreasonably withheld. Transfer of interests in PCT to any transferee after the said period would also be subject to prior written consent of PPA, and on the condition that the administrative powers of PCT shall be retained by a shareholder with previous relevant experience related to harbour administration and management;

- (iv) not liquidate PCT, merge PCT with another corporate entity or relocate the headquarters of PCT to outside Greece; and
- (v) retain the right to seek a listing of the shares of PCT on the Athens Stock Exchange, subject to fulfillment of the applicable securities regulations and the prior consent of PPA, which shall not be unreasonably withheld. In such event, the listing of PCT may be achieved by issuing new shares in PCT, by the Company disposing existing shares in PCT, or a combination of both.

REASONS FOR AND BENEFITS OF THE CONCESSION AGREEMENT

In terms of throughput, the Piraeus Port Container Terminal is the largest container terminal in Greece. In 2007, Pier 2 handled a throughput of 1.37 million TEUs. It is expected that, upon completion of the upgrading of Pier 2 by 2014 and construction of Pier 3 by 2015, the capacity of the New Container Terminal will reach 3.7 million TEUs.

In view of the commercial and strategic importance of the Piraeus Port, and the growth potential of the Piraeus Port Container Terminal, the Board considers that the Concession Agreement represents a good opportunity for the Company to invest in a major container terminal outside China. Despite the recent financial market turbulence, the management of the Company believes the Concession Agreement remains economically viable, bears long term strategic value to the Company and is in line with the Company's strategy to become a leading global port operator.

As required under the terms of the Concession Agreement, the Company will improve the terminal facilities and enhance the operating efficiency of the New Container Terminal, which will benefit the development of the Piraeus Port and will strengthen its leading position as an important shipping hub in Greece, the Balkans, the Black Sea, the Mediterranean region and the world.

The Directors consider that the terms of the draft Concession Agreement are on normal commercial terms, in the ordinary course of business of the Company and are fair and reasonable and in the interests of the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Upon its entry into force, the Concession Agreement would constitute a major transaction of the Company relating to an infrastructure project under the Listing Rules. Since COSCO Investments and COSCO Pacific Investment, which in aggregate hold 1,144,166,411 shares of the Company (representing an approximately 50.96% interest in the Company), have given their written approvals of the Concession Agreement, no physical general meeting will be held to approve the Concession Agreement pursuant to Rule 14.44 of the Listing Rules.

Following execution, a series of procedures will follow before the Concession Agreement will enter into force, including, among others, the passage of the Law of Ratification by the Greek Parliament and publication of the same in the Government Gazette, in each case within a specific time limit. **As the Concession Agreement may or may not enter into force, Shareholders and potential investors of the Company are advised to exercise caution in dealing with the Shares.**

APPLICATION FOR WAIVER FROM STRICT COMPLIANCE OF THE LISTING RULES

In view of the fact that written Shareholders' approval was already secured prior to its execution, and that the Company proposes to publish this announcement and a circular for Shareholders' information prior to entering into the Concession Agreement, the Company has applied for a waiver from strict compliance from Rule 14.34 of the Listing Rules.

INFORMATION ON PPA

The major activities of PPA is the operation of the Piraeus Port, including passenger cruise ship, passenger ferry and car ferry terminals, general cargo and container terminals and an oil pier and related operations. It is also responsible for the maintenance of port facilities, the supply of port services (water, electric current, telephone connection etc supply). PPA is listed on the Athens Stock Exchange. To the best knowledge of the Company, PPA is owned as to approximately 74% by the Government of Greece. PPA and its beneficial owners are third parties independent of the Company and its connected persons.

INFORMATION ON THE PIRAEUS PORT

Piraeus Port is the hub for the connection of continental Greece with the islands, an international cruise center and a commercial hub of the Mediterranean. It is located in the commercially and strategically important shipping lane servicing, among other areas, Europe, North Africa and the Mediterranean.

INFORMATION ON THE GROUP

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

CIRCULAR

A circular containing, among other things, further details of the Concession Agreement and the transactions contemplated thereunder, including, among other things, a business valuation report, a traffic studies report and the report from the reporting accountants of the Company on the calculations of the discounted future estimated cash flows, will be dispatched to the Shareholders as soon as practicable.

DEFINITIONS

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

“Bid”	the Company's bid for the Concession submitted on May 2008
“Board”	the board of directors of the Company
“China COSCO”	China COSCO Holdings Company Limited, a limited liability company incorporated in the People's Republic of China, the H shares of which are listed on the main board of Stock Exchange and the A shares of

	which are listed on the Shanghai Stock Exchange
“Committed Investment”	a sum of not less than €45 million (equivalent to approximately HK\$450 million) to be provided by the Company to PCT either in the form of share capital or shareholder’s loan to fund the upgrading of Pier 2 and construction of Pier 3
“Company”	COSCO Pacific Limited, a limited liability company incorporated in Bermuda, the shares of which are listed on the main board of Stock Exchange
“Concession”	the concession of the exclusive right to use and exploit the New Container Terminal pursuant to the Concession Agreement
“Concession Agreement”	the concession agreement expected to be entered into between PPA, PCT and the Company in November 2008
“COSCO Investments”	COSCO Investments Limited, a company incorporated under the laws of the British Virgin Islands, which is holding a 8.91% interests in the Company and is a wholly-owned subsidiary of COSCO Pacific Investment
“COSCO Pacific Investment”	COSCO Pacific Investment Holdings Limited, a company incorporated under the laws of Hong Kong, which is directly holding a 42.05% interests in the Company and controls another 8.91% interests in the Company through COSCO Investments. COSCO Pacific Investment is a wholly-owned subsidiary of China COSCO
“CPI”	the Overall Consumer Price (Inflation) Index, as recorded on 31 December of each fiscal year, and published in the National Bureau of Statistics of Greece
“Director(s)”	the director(s) of the Company
“Euro” or “€”	Euro, the common currency of the European Union
“Group”	the Company and its subsidiaries
“Government Gazette”	the Government Gazette of the Government of Greece
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Law of Ratification”	a legislation to ratify the Concession Agreement following its execution, to be passed by the Parliament of Greece
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Container Terminal”	the container terminal comprising Pier 2 and the eastern part of Pier 3 (to be constructed by PCT), together with the adjacent sea area of the Piraeus Port Container Terminal which allows the mooring and servicing of ships, being the subject of the Concession

“PCT”	Piraeus Container Terminal S.A., a company under establishment in Greece and a wholly-owned subsidiary of the Company which will take up the Concession pursuant to the terms of the Concession Agreement. It is expected that Mr. XU Minjie, Mr. LI Ke Qiang, Mr. CHAN Hang, Mr. LUI Sai Kit Eddie and Mr. MEI Dumi will be the directors of PCT upon its establishment
“Pier 2”	Pier 2 of the Piraeus Port Container Terminal, to be upgraded pursuant to the Concession Agreement
“Pier 3”	a new pier to be built by PCT on the existing site of the oil pier of the Piraeus Port Container Terminal pursuant to the Concession Agreement
“Piraeus Port Container Terminal”	the container terminal of the Piraeus Port, currently consisting of Pier 1 and Pier 2 only, and operated by PPA
“PPA”	Piraeus Port Authority S.A., a company established in Greece, the grantor of the Concession
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TEU”	Twenty-foot containers subscribing to the standards adopted by the International Organisation for Standardisation
“sq. m.”	square metre(s)
“%”	per cent.

In this announcement, unless otherwise stated, certain amounts denominated in Euro have been translated into HK\$ at an exchange rate of €1 = HK\$10.00, for illustration purpose only.

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

Hong Kong, 29th October 2008

As at the date of this announcement, the Board of the Company comprises the following Directors: Mr. CHEN Hongsheng² (Chairman), 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. YIN Weiyu¹, Dr. LI Kwok Po, David³, Mr. CHOW Kwong Fai, Edward³ and Mr. Timothy George FRESHWATER³.

¹ Executive Director

² Non-executive Director

³ Independent Non-executive Director