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COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

ANNOUNCEMENT

MAJOR DISPOSAL AND CONNECTED TRANSACTION DISPOSAL OF 49% EQUITY INTEREST IN COSCO LOGISTICS CO., LTD.

The Board would like to announce that on 27th August 2009, CP Logistics, a wholly-owned subsidiary of the Company, entered into the Agreement with China COSCO, pursuant to which CP Logistics conditionally agreed to sell and China COSCO conditionally agreed to purchase CP Logistics' entire 49% equity interest in COSCO Logistics, at a cash consideration of RMB2,000 million (equivalent to approximately HK\$2,268.6 million). Apart from the aforesaid cash consideration, CP Logistics is entitled to receive a special distribution of an additional cash amount equivalent to 273/365 (representing the first nine months of 2009) of 49% of the Distributable Annual Net Profit, payment of which shall be made by COSCO Logistics on or before 30th June 2010, and coordinated by China COSCO.

Since not all of the relevant percentage ratios under Chapter 14 of the Listing Rules are less than 25% but all of them are less than 75%, the Transaction constitutes a major disposal of the Company under Chapter 14 of the Listing Rules. As China COSCO indirectly holds approximately 51.20% of the total issued capital of the Company, it is a substantial Shareholder and therefore a connected person of the Company. As such, the Transaction also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Transaction is subject to Independent Shareholders' approval at the SGM.

A circular containing, among other things, further details of the Transaction, a letter from the Independent Board Committee to the Independent Shareholders and a letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, together with a notice convening the SGM will be despatched to the Shareholders as soon as practicable.

INTRODUCTION

The Board would like to announce that on 27th August 2009, CP Logistics, a wholly-owned subsidiary of the Company, entered into the Agreement with China COSCO, pursuant to

which CP Logistics conditionally agreed to sell and China COSCO conditionally agreed to purchase CP Logistics' entire 49% equity interest in COSCO Logistics, at a cash consideration of RMB2,000 million (equivalent to approximately HK\$2,268.6 million). Apart from the aforesaid cash consideration, CP Logistics is entitled to receive a special distribution of an additional cash amount equivalent to 273/365 (representing the first nine months of 2009) of 49% of the Distributable Annual Net Profit, payment of which shall be made by COSCO Logistics on or before 30th June 2010, and coordinated by China COSCO.

THE AGREEMENT

- Date : 27th August 2009
- Parties : (i) CP Logistics (a wholly-owned subsidiary of the Company),
as the vendor
- (ii) China COSCO, as the purchaser
- Assets to be disposed : 49% equity interest in COSCO Logistics
- Consideration : RMB2,000 million (equivalent to approximately HK\$2,268.6 million), which amount (after deducting the relevant tax as assessed by the PRC tax authority to be payable by CP Logistics) is payable by China COSCO to CP Logistics in cash in US\$ on the Completion Date
- Special Distribution : An additional amount equivalent to 273/365 (representing the first nine months of 2009) of 49% of the Distributable Annual Net Profit, which amount (after deducting the relevant PRC tax payable by CP Logistics) is payable by COSCO Logistics to CP Logistics in cash in US\$ on or before 30th June 2010, payment of which shall be coordinated by China COSCO

BASIS OF THE CONSIDERATION

The Consideration was determined after arm's length negotiations between the parties to the Agreement and is based on various factors including, among others, (a) the historical and current trading multiples of the listed companies globally with businesses similar to those of COSCO Logistics (the "**Company Comparables**") such as price-to-earning multiples (P/E), price-to-book multiples (P/B) and enterprise value-to-EBITDA multiples (EV/EBITDA). The Company Comparables have been selected after considering factors such as the market capitalization, business portfolio, historical financials and business prospect; (b) an analysis of COSCO Logistics from various aspects, which include, among others, its industry position, market position and historical financial results and the liquidity risk in respect of the equity interest of COSCO Logistics; and (c) certain historical comparable transactions concerning equity transfer of logistics business with consideration of multiple factors which include, among other things, market conditions, nature of the transactions, percentage of the equity being acquired or disposed of and geographic locations of the logistics business.

Accordingly, the Directors (excluding the independent non-executive Directors who would render their views on the terms of the Transaction after having been advised by the independent financial adviser) consider the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

CONDITIONS PRECEDENT

The Completion is conditional upon each of the following conditions being satisfied on or before 20th December 2009 (the “**Long Stop Date**”):-

- (i) completion of internal approval procedures of the Vendor and the Purchaser in respect of the entering into and implementation of the Agreement in accordance with their respective articles;
- (ii) approval of the Independent Shareholders in respect of the Agreement and the Transaction at the SGM in accordance with the Listing Rules; and
- (iii) signing by the relevant parties of documents in respect of the Transaction, including the Agreement, resolutions of board of directors of COSCO Logistics approving the Transaction and the Special Distribution, restated articles of COSCO Logistics; the obtaining by COSCO Logistics of the approval of the Ministry of Commerce of the PRC or its authorized departments in respect of the transfer; and the completion of the procedures regarding change in business registration of COSCO Logistics and the obtaining of a new business licence by COSCO Logistics.

If any of the above conditions has not been satisfied on or before the Long Stop Date, the Vendor and the Purchaser shall negotiate for an extension of such date or the termination of the Agreement, and use their best endeavours to reach a consensus within 20 business days from the Long Stop Date (the “**Negotiation Period**”). The Agreement shall terminate on the last day of the Negotiation Period where the parties cannot reach a consensus or the parties agree to terminate the Agreement, and (i) unless otherwise stated in the Agreement, neither party shall have any rights and obligations under the Agreement (except for antecedent breaches); and (ii) the parties shall work to cancel the relevant documents for the implementation of the Agreement, including undergoing approval procedures within 30 business days from the date of termination and reinstating COSCO Logistics to the position before the entering into of the Agreement.

COMPLETION

The Completion shall take place (i) within 10 business days after the procedures in respect of tax payment and foreign exchange approval are completed (applications in relation to such procedures shall be made by CP Logistics and China COSCO upon fulfillment of all the Conditions) and such date shall not be later than 31st December 2009; or (ii) in the event that the aforesaid procedures cannot be completed in time for payment to be made by 31st December 2009, the date on which the aforesaid procedures are completed or such other date as CP Logistics and China COSCO shall agree in writing. The Purchaser shall pay the Consideration (after deducting the relevant PRC income tax as assessed by the tax authority to be payable by CP Logistics) on the Completion Date.

Upon the Completion, China COSCO will become the sole shareholder holding the entire equity interest in COSCO Logistics.

INFORMATION ON COSCO LOGISTICS

COSCO Logistics is principally engaged in integrated logistics services, including freight forwarding, warehousing, depot and cargo terminal services. It is a jointly controlled entity under the consolidated financial statements of the Company as at the date of this

announcement.

The net asset value of COSCO Logistics attributable to the Transfer Interest as at 31st December 2008 was approximately RMB1,404.3 million, equivalent to approximately HK\$1,592.9 million (based on the audited consolidated financial statements of COSCO Logistics prepared in accordance with the China Accounting Standards, after making adjustments in accordance with the requirements of HKFRS).

Based on the audited consolidated financial statements of COSCO Logistics prepared in accordance with the China Accounting Standards, after making adjustments in accordance with the requirements of HKFRS, (i) net profits before and after taxation and minority interests for the financial year ended 31st December 2007 attributable to the Transfer Interest were approximately RMB223.0 million (equivalent to approximately HK\$252.9 million) and approximately RMB149.5 million (equivalent to approximately HK\$169.6 million) respectively; and (ii) net profits before and after taxation and minority interests for the financial year ended 31st December 2008 attributable to the Transfer Interest were approximately RMB263.5 million (equivalent to approximately HK\$298.9 million) and approximately RMB173.9 million (equivalent to approximately HK\$197.3 million) respectively.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Group is principally engaged in the businesses of managing and operating container terminals, container leasing, management and sale, logistics, container manufacturing and other related business, and the Group has a mission to become a leading global port operator. Since the cargo terminal services of COSCO Logistics are different from the container terminal services of the Group and the historical share of revenue of COSCO Logistics was insignificant when compared to the consolidated revenue of the Group, the investment in the 49% equity interest in COSCO Logistics is no longer a strategic business unit of the Group. The Transaction allows the Group to concentrate its resources on the development of its terminal businesses. The Group intends to apply the Consideration primarily to new and existing terminal investments and further improvement in working capital of the Group. However, no specific projects to which the Consideration may be applied have been identified as at the date of this announcement.

The Directors expect that the Group will realise an estimated pre-tax gain (after taking into account direct expenses) of approximately US\$102.5 million (equivalent to approximately HK\$794.4 million) from the Transaction. The estimated pre-tax gain on the Transaction is calculated with reference to the Consideration and the Group's share of net assets of the 49% equity interest of COSCO Logistics, after taking into account the release of the exchange and other reserves in respect of the investments in COSCO Logistics as at 31st December 2008. The aforesaid estimated pre-tax gain has not taken into account the Special Distribution. The actual pre-tax gain on the Transaction (which will be calculated based on the Group's share of net assets and reserves of COSCO Logistics as of the Completion Date) is subject to determination.

In accordance with the relevant legal requirements of the PRC, CP Logistics is subject to withholding income tax calculated based on a tax rate of 10% on (i) the difference between the Consideration and the taxing basis of the Transfer Interest; and (ii) the Special Distribution.

Accordingly, the Directors (excluding the independent non-executive Directors who would render their views on the terms of the Transaction after having been advised by the independent financial adviser) consider the terms of the Agreement and the Transaction are normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Since not all of the relevant percentage ratios under Chapter 14 of the Listing Rules are less than 25% but all of them are less than 75%, the Transaction constitutes a major disposal of the Company under Chapter 14 of the Listing Rules.

As the Purchaser indirectly holds approximately 51.20% of the total issued capital of the Company, it is a substantial Shareholder and therefore a connected person of the Company. As such, the Transaction also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Transaction is subject to Independent Shareholders' approval at the SGM.

COSCO Pacific Investment Holdings Limited and COSCO Investments Limited (both being wholly-owned subsidiaries of China COSCO), which together hold an aggregate of approximately 51.20% of the total issued share capital of the Company as at the date of this announcement, shall abstain from voting to approve the Agreement and the Transaction at the SGM.

An Independent Board Committee comprising all the four independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the terms of the Agreement and the Transaction are fair and reasonable and are in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the independent financial adviser. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, further details of the Transaction, a letter from the Independent Board Committee to the Independent Shareholders and a letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, together with a notice convening the SGM will be despatched to the Shareholders as soon as practicable.

GENERAL INFORMATION

China COSCO Group is one of the leading global providers of a wide range of container shipping, dry bulk shipping, logistics, terminals and container leasing services covering the whole shipping value chain for both international and domestic customers.

DEFINITIONS

Unless the context otherwise requires, the following terms in this announcement shall have the meanings set out below:

“Agreement” the equity transfer agreement dated 27th August 2009 entered into between the Purchaser and the Vendor in relation to the sale and purchase of the Transfer Interest

“Audited Accounts”	the audited consolidated accounts of COSCO Logistics for the year ending 31st December 2009 prepared in accordance with the accounting standards in the PRC
“Board”	the board of directors of the Company
“China Accounting Standards”	the China Accounting Standards for Business Enterprises issued by the Ministry of Finance, the PRC
“China COSCO” or “Purchaser”	China COSCO Holdings Company Limited (中國遠洋控股股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Main Board of the Stock Exchange and the A shares of which are listed on the Shanghai Stock Exchange in the PRC, which is indirectly holding approximately 51.20% of the total issued share capital of the Company at the date of this announcement
“China COSCO Group”	China COSCO and its subsidiaries, excluding the Group
“Company”	COSCO Pacific Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the sale and purchase of the Transfer Interest pursuant to the Agreement
“Completion Date”	the date of Completion on which the full amount of the Consideration (after deducting the relevant PRC income tax as assessed by the tax authority to be payable by CP Logistics) shall be paid by China COSCO to CP Logistics as mentioned in the paragraph headed “Completion” in this announcement
“Conditions”	the conditions precedent to the Completion, as set out in the paragraph headed “Conditions Precedent” in this announcement
“connected person”	has the meaning ascribed thereto in the Listing Rules
“Consideration”	RMB2,000 million (equivalent to approximately HK\$2,268.6 million)
“COSCO Logistics”	中國遠洋物流有限公司 (COSCO Logistics Co., Ltd.), a sino-foreign equity joint venture company incorporated in the PRC, which is owned by China COSCO and CP Logistics as to 51% and 49% respectively as at the date of this announcement
“CP Logistics” or “Vendor”	COSCO Pacific Logistics Company Limited 中遠太平洋物流有限公司, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Directors”	directors of the Company

“Distributable Annual Net Profit”	90% of the audited consolidated net profit after tax and minority interest of COSCO Logistics for the year ending 31st December 2009 as shown in the Audited Accounts
“EBITDA”	earning before interest, taxation, depreciation and amortization
“Group”	the Company and its subsidiaries
“HKFRS”	standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants, comprising (i) Hong Kong Financial Reporting Standards, (ii) Hong Kong Accounting Standards, and (iii) Interpretations
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company comprising Dr. LI Kwok Po, David, Mr. CHOW Kwong Fai, Edward, Mr. Timothy George FRESHWATER and Dr. FAN HSU Lai Tai, Rita, all being independent non-executive Directors
“Independent Shareholders”	Shareholders other than COSCO Pacific Investment Holdings Limited and COSCO Investments Limited and associates of China COSCO
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	20th December 2009
“PRC”	the People’s Republic of China, which for the purpose of this announcement and unless the context suggests otherwise, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“SGM”	special general meeting of the Company to be held for considering and approving, if appropriate, the Agreement and the Transaction
“Share(s)”	shares of HK\$0.1 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Special Distribution”	an additional payment equivalent to 273/365 (representing the first nine months of 2009) of 49% of the Distributable Annual Net Profit, payment of which shall be made by COSCO Logistics on or before 30th June 2010, and coordinated by China COSCO
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules
“Transaction”	the sale and purchase of the Transfer Interest contemplated under the Agreement

“Transfer Interest”	49% equity interest in COSCO Logistics held by CP Logistics
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	US dollars, the lawful currency of the United States of America

For the purposes of this announcement, the exchange rates of RMB1 = HK\$1.1343 and US\$1 = HK\$7.7501 have been used, where applicable, for purpose of illustration only and does not constitute a representation that any amounts has been, could have been or may be exchanged at any particular rate on the date or dates in question or any other date.

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

Hong Kong, 27th August 2009

As at the date of this announcement, the board of directors of the Company comprises Mr. CHEN Hongsheng² (Chairman), Mr. LI Jianhong¹, Mr. XU Lirong², Ms. SUN Yueying¹, Mr. XU Minjie¹ (Vice Chairman & Managing Director), Dr. SUN Jiakang², Mr. HE Jiale¹, Dr. WONG Tin Yau, Kelvin¹, Mr. WANG Zhi¹, Mr. YIN Weiyu¹, Dr. LI Kwok Po, David³, Mr. CHOW Kwong Fai, Edward³, Mr. Timothy George FRESHWATER³ and Dr. FAN HSU Lai Tai, Rita³.

¹ Executive Director

² Non-executive Director

³ Independent Non-executive Director