

## Swire Pacific Limited

(Incorporated in Hong Kong with limited liability)  
(Stock Codes : 19 and 87)

### CONNECTED TRANSACTION

The SBL Group has entered into the Agreement with, *inter alia*, CCCIL and the COFCO Group pursuant to which the Promoters agreed to participate in JV Co. The contribution of each of the Promoters will be in proportion to its respective equity interest. The total capital contribution of the SBL Group shall be RMB135,456,000 (HK\$127,328,640) or its equivalent in HK\$ for a 24% interest and those of CCCIL and the COFCO Group shall be RMB95,948,000 (HK\$90,191,120) for 17% and RMB118,524,000 (HK\$111,412,560) for 21%, respectively.

CCCIL and the COFCO Group are all connected persons of Swire Pacific. Therefore, under the Listing Rules, the Agreement is a connected transaction of Swire Pacific. As the SBL Group's total capital contribution is more than 0.03% of Swire Pacific's net tangible assets but less than 3%, the Agreement is subject to the reporting and announcement requirements under Rule 14.25(1) of the Listing Rules, but does not require the approval of Swire Pacific's independent shareholders.

Details of the Agreement will be included in the next published annual report and accounts of Swire Pacific.

#### Agreement dated 9th January 2004

**Parties:** A total of 24 companies (together "the Promoters"), comprising 3 investment holding companies and 21 bottling companies which are engaged in the production, processing, distribution and sale of beverages:

- Party A: CCCIL
- Party B: the SBL Group (8 companies)
- Party C: the COFCO Group (3 companies)
- Party D: an independent group of 9 bottling companies in PRC
- Party E: 3 other independent individual PRC bottling companies

Pursuant to the Agreement, the Promoters have agreed to set up JV Co in PRC for the production, processing, distribution and sale of certain types of non-carbonated beverages ("NCB") which bear the trademarks of The Coca-Cola Company.

Determined on the basis of the capital expenditure required to establish JV Co, the registered capital of JV Co shall be RMB564,400,000 (HK\$530,536,000), to which the SBL Group shall subscribe in aggregate RMB135,456,000 (HK\$127,328,640) or its equivalent in HK\$ for an equity interest of 24%, CCCIL RMB95,948,000 (HK\$90,191,120) for 17% and the COFCO Group RMB118,524,000 (HK\$111,412,560) for 21%. Parties D and E shall subscribe for the remaining 38%. There is no further commitment to invest in JV Co other than to the registered capital. The subscription money shall be paid by the Promoters within 30 days of the issue by the Ministry of Commerce ("MOC") of the certificate approving the establishment of JV Co ("the Approval Certificate") and shall be paid in cash by the SBL Group from its internal resources.

Profit/loss of JV Co will be shared by the Promoters in accordance with their respective equity interest and liability is limited to their respective capital contribution. Each of Parties A, B, C and D will have equal representation on the board of JV Co.

The Agreement shall terminate automatically (i) if the Approval Certificate is not issued by MOC within 18 months of the submission of all necessary application documents, or (ii) if JV Co fails to obtain its business licence within 120 business days of capital contribution. If any of these circumstances occurs, any capital contributions already made shall be refunded to the Promoters. The application documents were submitted to MOC on 23rd March 2004.

As the SBL Group's total capital contribution is more than 0.03% of Swire Pacific's net tangible assets but less than 3%, the Agreement is subject to the reporting and announcement requirements under Rule 14.25(1) of the Listing Rules, but does not require the approval of Swire Pacific's independent shareholders. Details of the Agreement will be included in the next published annual report and accounts of Swire Pacific.

During preliminary discussions with MOC on the establishment of JV Co, certain issues were raised and announcement of this transaction has been withheld in the hope that these issues could be resolved shortly. However, up to the date of this announcement, a determination could not be obtained from MOC. The delay in the publication of this announcement is a breach of Rule 14.25 (1) of the Listing Rules and the Stock Exchange reserves the right to take actions against Swire Pacific and/or its directors in this connection. The directors of Swire Pacific believe that this is an individual case which should not recur.

#### Reasons for, and benefits of, JV Co

The establishment of JV Co will bring the NCB manufacturing process and related assets in China together under one company to create economies of scale and efficiency and diversify risk, thus strengthening the economic and technological cooperation between the Promoters in their business operations in respect of NCB and will minimise production costs.

The directors of Swire Pacific, including the independent non-executive Directors, consider that the terms of the Agreement, including the capital contribution by the SBL Group, are fair and reasonable and in the interests of Swire Pacific and its shareholders as a whole and are entered into on an arm's length basis in the ordinary and usual course of business,

on normal commercial terms and on terms no more favourable to CCCIL and the COFCO Group than terms with parties who are not connected persons (as defined under the Listing Rules) of the Group.

#### Connection between the parties:

CCCIL is a wholly-owned subsidiary of CCSAH which is a connected person of Swire Pacific because of its 12.5% interest in SBL, a subsidiary of Swire Pacific.

Three wholly-owned subsidiary companies of COFCO are substantial shareholders in Swire Pacific's indirect subsidiary bottling companies in Hangzhou, Nanjing and Guangdong, with interests of over 10%. COFCO is therefore a connected person of the Group.

As CCCIL and the COFCO Group are associates of CCSAH and COFCO respectively as defined in the Listing Rules, they are also connected persons of the Group. Parties D and E are independent third parties and not connected persons (as defined under the Listing Rules) of the Group.

#### Directors

As at the date of this announcement, the directors of Swire Pacific are:  
Executive: J.W.J. Hughes-Hallett, M. Cubbon, D. Ho, K.G. Kerr and D.M. Turnbull  
Non-Executive: Baroness Dunn, P.A. Johansen and Sir Adrian Swire; and  
Independent Non-Executive: D.G. Eldon, C.K.M. Kwok, C. Lee and M.M.T. Yang

#### DEFINITIONS

"the Agreement"	Promoters' Agreement dated 9th January 2004 relating to the establishment of JV Co.
"JV Co"	A foreign-invested company limited by shares, to be established in PRC in the name of "Coca-Cola Bottling Manufacture Company Limited".
"CCSAH"	Coca-Cola South Asia Holdings Inc., whose principal business is investment holding.
"CCCIL"	Coca-Cola (China) Investment Limited, an investment holding company incorporated in PRC, wholly-owned by CCSAH.
"COFCO"	COFCO Coca-Cola Beverages Limited, an investment holding company incorporated in PRC.
"COFCO Group"	Two subsidiary companies of COFCO and a joint venture company in which it has an indirect interest of 50%, all being bottling companies in PRC.
"the Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited prior to 31st March 2004
"PRC"	The People's Republic of China
"SBL"	Swire Beverages Limited, an investment holding company owned 87.5% by Swire Pacific and 12.5% by CCSAH.
"SBL Group"	SBL and its seven jointly controlled bottling companies in Guangdong, Xiamen, Nanjing, Hangzhou, Xian, Zhengzhou and Hefei, PRC.
"Swire Pacific"	Swire Pacific Limited, an investment holding company.
"the Group"	Swire Pacific and its subsidiaries.

Note: The exchange rate used in this announcement is RMB1 = HK\$0.94

By Order of the Board  
Swire Pacific Limited  
**Margaret Yu**  
Company Secretary

Hong Kong, 28th July 2004