

COSCO PACIFIC LIMITED

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COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

CONNECTED TRANSACTION

FORMATION OF JV CO

Summary

The Board wishes to announce that on 28 December 2001, the Company, through its wholly-owned subsidiary, COSCO Pacific (China) Investments, joined in to promote and set up the JV Co, a joint stock limited company established in the PRC.

One of the JV Partners, Dalian Ocean Shipping Agency, is an indirect wholly-owned subsidiary of COSCO which is a controlling shareholder of the Company. Thus, the promoting and the setting up of the JV Co and the execution of other ancillary documents in connection therewith constitute a connected transaction of the Company under the Listing Rules.

COSCO Pacific (China) Investments agreed to subscribe for an 8% interest in the JV Co at the subscription price of RMB37.52 million (equivalent to approximately HK\$35.26 million) which is less than 3 per cent. of the book value of the net tangible assets of the Company (as disclosed in the latest published accounts of the Company as at 30 June 2001).

COSCO PACIFIC LIMITED

PROMOTION OF THE JV CO

Date of signing of the Promoters' Agreement: 28 December 2001

Parties: The JV Partners

The JV Partners agreed to establish a joint stock limited company in the PRC which will engage in container terminal operations, container storage, vanning and devanning, transportation, transshipment, intermodal, freight forwarding, shipping agent and related businesses in Dalian.

The registered capital of the JV Co will be RMB320 million (approximately HK\$301 million). The total investment will be approximately RMB469 million (approximately HK\$441 million), which was determined on an arm's length basis between the JV Partners. The interests of the JV Partners in the JV Co are set out in the table below:-

JV Partner	Number of Shares	Percentage of the registered capital
大連港務局(Port of Dalian Authority)	286,400,000	89.5%
中遠太平洋(中國)投資有限公司 (COSCO Pacific (China) Investments Co., Ltd.)	25,600,000	8%
上海港集裝箱股份有限公司(Shanghai Port Container Co. Ltd.)	3,200,000	1%
寶供物流企業集團有限公司(P.G. Logistics Group Co. Ltd.)	3,200,000	1%
中國大連外輪代理公司(China Dalian Ocean Shipping Agency)	1,600,000	0.5%
Total	320,000,000	100%

COSCO Pacific (China) Investments, a wholly-owned subsidiary of the Company, agreed to subscribe for 25.6 million shares in the JV Co (being 8% of the equity interest in the JV Co) at RMB37.52 million (approximately HK\$35.26 million) which will be paid in cash within 10 days after the JV Co obtaining approvals from the relevant government authority in the PRC. The Group will finance such subscription from its internal resources or bank borrowing (to be determined at a later date). Dalian Ocean Shipping Agency, an indirect wholly-owned subsidiary of COSCO which is a controlling shareholder of the Company, agreed to subscribe for 1.6 million shares in the JV Co (being 0.5% of the equity interest in the JV Co) at RMB2.35 million (approximately HK\$2.21 million). There are no further liabilities to contribute funds as stipulated in the Promoters' Agreement.

Other than COSCO Pacific (China) Investments and Dalian Ocean Shipping Agency, the other JV Partners are independent third parties not connected with any promoter, director, chief executive or substantial shareholder of the Company and its subsidiaries or their respective associates.

Principal Terms of the Promoters' Agreement

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The JV Co will commence operation once its business license has been obtained and will continue to operate until it is dissolved in accordance with the relevant PRC company law. The profits of the JV Co will be shared among the JV Partners in accordance with their respective shareholding interests in the JV Co. The composition of the board and the terms of the memorandum and articles of association of the JV Co will be determined by a committee to be formed by the JV Partners to handle all matters in connection with the formation of the JV Co.

In order to comply with the regulations of the China Securities Regulatory Commission, the JV Partners agreed not to sell, assign, transfer or otherwise dispose of their respective equity interests in the JV Co within 3 years from the date of incorporation of the JV Co.

REASONS AND BENEFITS FOR ENTERING INTO THE PROMOTERS' AGREEMENT AND OTHER ANCILLARY DOCUMENTS

The Group is principally engaged in the businesses of container leasing, container terminal operation and investment in container related industries. The Board is of the view that the investment in the JV Co represents an excellent opportunity of investing in Dalian container port, one of the top ten container ports in the PRC, with prospects of profit growth and new investment potential. The Board (including the independent non-executive directors of the Company) are of the opinion that the terms and conditions of the Promoters' Agreement and other ancillary documents are fair and reasonable to the Group and its shareholders taken as a whole.

GENERAL

Pursuant to the Listing Rules, the promotion and the establishment of the JV Co and the execution of other ancillary documents in connection therewith constitute a connected transaction under the Listing Rules since Dalian Ocean Shipping Agency, an indirect wholly-owned subsidiary of COSCO which is a controlling shareholder of the Company holding 55.07% of the issued share capital of the Company, is an associate of a connected person of the Company and is also a promoter and shareholder of the JV Co.

As the total consideration payable by COSCO Pacific (China) Investments is less than 3 per cent. of the book value of the net tangible assets of the Company (as disclosed in the latest published accounts of the Company as at 30 June 2001), the Company is only required, under paragraph 14.25(1) of the Listing Rules, to disclose this transaction by way of a press announcement. Details of this transaction will be disclosed in the next annual report and accounts of the Company.

DEFINITION

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Board”	the board of directors of the Company
“Company”	COSCO Pacific Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“COSCO”	China Ocean Shipping (Group) Company, a company incorporated in the PRC and the controlling shareholder of the Company
“COSCO Pacific (China) Investments”	中遠太平洋（中國）投資有限公司(COSCO Pacific (China) Investments Co., Ltd.), a company incorporated in the PRC and a wholly-owned subsidiary of the Company
“Dalian Ocean Shipping Agency”	中國大連外輪代理公司(China Dalian Ocean Shipping Agency), a company incorporated in the PRC and an indirect wholly-owned subsidiary of COSCO
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	China mainland
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“JV Co”	大連港集裝箱股份有限公司(Dalian Port Container Co., Ltd.)
“JV Partners”	(a) 大連港務局(Port of Dalian Authority), a government authority in the PRC (b) COSCO Pacific (China) Investments (c) 上海港集裝箱股份有限公司(Shanghai Port Container Co. Ltd.), a company incorporated in the PRC (d) 寶供物流企業集團有限公司(P.G. Logistics Group Co. Ltd.), a company incorporated in the PRC (e) Dalian Ocean Shipping Agency

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Exchange rate: HK\$1 to RMB1.064

By Order of the Board
COSCO PACIFIC LIMITED
HUNG Man
Company Secretary

Hong Kong, 28 December 2001

Please also refer to the published version of this announcement in the South China Morning Post dated 31/12/2001