



COSCO Pacific Limited

(incorporated in Bermuda with limited liability)
(Stock Code: 1199)

DISCLOSEABLE AND CONNECTED TRANSACTION

ACQUISITION OF INTEREST IN CHINA INTERNATIONAL MARINE CONTAINERS (GROUP) CO., LTD.

On 19 August 2004, the Company's wholly-owned subsidiary, the Purchaser, entered into the Agreement with COSCO to acquire from COSCO 163,701,456 non-publicly tradable State-owned legal person shares (非流通國有法人股) in CIMC, representing approximately 16.23% of the issued share capital of CIMC as at the Latest Practicable Date.

The consideration for the Acquisition amounted to approximately RMB1,056,384,000 (equivalent to approximately HK\$992,469,000).

The consideration payable to COSCO pursuant to the Agreement will be made in cash by the Purchaser within 10 business days after all the Conditions have been fulfilled.

CIMC, whose A Shares and B Shares are listed and traded on the Shenzhen Stock Exchange, is primarily engaged in the manufacturing and sale of modern traffic and transport equipment such as containers, modern road transport vehicles and airport ground equipment.

COSCO is the ultimate holding company of the Company, and is therefore a connected person of the Company. The entering into the Agreement constitutes a discloseable and connected transaction for the Company under the Listing Rules, and will be subject to the approval by the Independent Shareholders at the Special General Meeting. An independent board committee will be formed to advise the Independent Shareholders in respect of the Agreement. An independent financial advisor will be appointed to advise the independent board committee in respect of the Agreement. A circular containing, amongst other things, further information of the Agreement, letters of advice from the independent board committee and the independent financial adviser respectively and a notice of the Special General Meeting will be despatched to the Shareholders as soon as practicable. Due to their connection with COSCO, COSCO Hong Kong and its associates will abstain from voting at the Special General Meeting.

THE ACQUISITION

Date of the Agreement

19 August 2004

Parties

Purchaser: the Purchaser

Vendor: COSCO

Interest to be acquired

The Purchaser has agreed to acquire 163,701,456 non-publicly tradable State-owned legal person shares (非流通國有法人股) in CIMC, representing approximately 16.23% of the issued share capital of CIMC as at the Latest Practicable Date, free from encumbrances. The rights and entitlements attached to such Shares are substantially the same as those attached to the A Shares and B Shares.

If the Purchaser cannot be the transferee of the Sale Shares as a result of a change in the relevant rules and regulations after the date of the Agreement, the Purchaser may nominate another wholly-owned subsidiary of the Company as the transferee, and COSCO, the Purchaser and the nominated transferee shall then enter into a supplemental agreement to confirm that the nominated transferee will be bound by the Agreement. The long stop date referred to in the paragraph headed "Termination" below applies to such arrangement by virtue of its being a provision of the Agreement. The Company is not currently aware of any existing rule or regulation in the PRC which does not allow the Purchaser to be the transferee of the Sale Shares. If another transferee is nominated by the Purchaser, the Company will comply with the Listing Rules and issue a further announcement.

Consideration

The consideration for the Acquisition amounted to approximately RMB1,056,384,000 (equivalent to approximately HK\$992,469,000). The consideration payable to COSCO will be made in cash (in a freely convertible foreign currency equivalent to such amount) by the Purchaser within 10 business days after all the Conditions have been fulfilled. No deposit is required to be paid prior thereto.

The consideration for the Acquisition was determined after arm's length negotiations between the Purchaser and COSCO by reference to the net asset value per Share as mentioned in item 9 of the immediate following paragraph, and the Company has taken into consideration the trading multiples of comparable companies, the historical profit generating financial performance of CIMC, the dividend track record of CIMC and the strategic benefits of the Acquisition and agreed to pay the consideration at a 23% premium to the net asset value of CIMC in order to acquire a significant stake in the largest container manufacturer in the world. The consideration will be funded by the internal resources of the Group. The Agreement does not provide for any capital injection by the Group into CIMC nor contain any commitment to do so.

The consideration per Share payable to COSCO is approximately RMB6.45 (equivalent to approximately HK\$6.06), and represents approximately:

- 65% discount to the closing price of RMB18.29 per A Share as quoted on the Shenzhen Stock Exchange on 18 August 2004 (being the last trading day immediately prior to the date of the Agreement);
- 47% discount to the closing price of RMB12.06 per B Share as quoted on the Shenzhen Stock Exchange on 18 August 2004;
- 64% discount to the average closing price of approximately RMB18.03 per A Share based on the daily closing prices as quoted on the Shenzhen Stock Exchange over the five trading days up to and including 18 August 2004;
- 47% discount to the average closing price of approximately RMB12.20 per B Share based on the daily closing prices as quoted on the Shenzhen Stock Exchange over the five trading days up to and including 18 August 2004;
- 63% discount to the average closing price of approximately RMB17.29 per A Share based on the daily closing prices as quoted on the Shenzhen Stock Exchange over the 30 trading days up to and including 18 August 2004;
- 48% discount to the average closing price of approximately RMB12.30 per B Share based on the daily closing prices as quoted on the Shenzhen Stock Exchange over the 30 trading days up to and including 18 August 2004;
- 54% discount to the average closing price of approximately RMB14.02 per A Share based on the daily closing prices as quoted on the Shenzhen Stock Exchange over the 180 trading days up to and including 18 August 2004;
- 39% discount to the average closing price of approximately RMB10.54 per B Share based on the daily closing prices as quoted on the Shenzhen Stock Exchange over the 180 trading days up to and including 18 August 2004;
- 23% premium over the net assets per Share of approximately RMB5.25 as at 31 December 2003 which was based on the number of Shares in issue as at the Latest Practicable Date and the consolidated net assets of the CIMC Group as at 31 December 2003 (as ascertained from the audited accounts of the CIMC Group for the year ended 31 December 2003 prepared in accordance with the International Financial Reporting Standards, adjusted to comply with HKSSAP); and
- 39 times over the original purchase cost of approximately RMB0.16 per Share by COSCO in August 1993.

The closing prices of the A Shares and B Shares on 18 August 2004 represented a premium of 248% and 130% respectively to the net asset value per Share mentioned in item 9 above. It is the Director's view that investors would consider it useful to have the comparison between the consideration per Share and the closing prices of A Shares and B Shares set out above for reference.

Events to take place prior to completion of the Acquisition

Completion of the Acquisition is conditional upon the fulfilment of the following Conditions (none of which has been fulfilled as at the date of this announcement):

- the passing by the Independent Shareholders at a general meeting of a resolution approving the Agreement and the transactions contemplated thereunder;
- all necessary approvals, consents and licences for the transactions contemplated under the Agreement, including but not limited to approvals of the State-owned Assets Supervision and Administration Commission, the Ministry of Commerce and other relevant regulatory authorities of the PRC, having been obtained;
- the granting by the Company of an irrevocable guarantee of the Purchaser's obligations under the Agreement to COSCO; and
- the issuing of a PRC legal opinion by the PRC legal counsel engaged by the Purchaser.

The Agreement does not contain any provisions for waiver of the Conditions.

After completion of the Acquisition, the status of the Sale Shares will become non-publicly tradable foreign legal person shares of CIMC.

Termination

If all of the Conditions have not been fulfilled on or before the date which is six months after the date of the Agreement (or such later date as may be agreed between the parties), the Agreement will be automatically terminated whereupon neither of the parties will have any obligation towards the other (save and except for confidentiality obligations and antecedent breaches).

In addition, a party may terminate the Agreement immediately and claim compensation if the other party fails to comply with any of its obligations as stipulated under the Agreement.

After completion of the Acquisition, the Company will, through the Purchaser (a wholly-owned subsidiary of the Company), hold a total of 163,701,456 Shares, representing approximately 16.23% of the issued share capital of CIMC as at the Latest Practicable Date.

Arrangements prior to completion of the Acquisition in relation to dividends on the Sale Shares and shareholding alteration plans of CIMC

According to the Agreement, prior to completion of the Acquisition all dividends in cash paid on the Sale Shares shall belong to COSCO, while all dividends on the Sale Shares payable in the form of Shares shall be transferred to the Purchaser together with the Sale Shares. Distribution of dividend was approved at the annual general meeting of CIMC held in April 2004. The Company is not aware of whether and when CIMC intends to next pay dividend in cash or shares. There will not be any adjustment to the consideration if cash dividend is paid. After considering the fair value of the Sale Shares and the consideration to be paid, the Directors are of the view that the commercial benefits deriving from the Acquisition should exceed any potential detriment of such ex-rights arrangement on the entitlement to dividend payment. According to CIMC's annual reports, the dividend pay-out ratios (based on the International Financial Reporting Standards) for the years 2001, 2002 and 2003 are as follows:

	2003	2002	2001
Dividend pay-out ratio (approximate percentage)	29%	0%	30% plus scrip dividend in the ratio of 5 shares for 10 existing issued shares

Pursuant to the Agreement, from the date of the Agreement up to the date of completion of the Acquisition:

- if CIMC shall carry out any rights issue or other plans which will bring about the issuance of or changes to the Shares, debentures, options or securities convertible into Shares, COSCO shall upon becoming aware of it forthwith inform the Purchaser and shall act in accordance with the opinion of the Purchaser; and
- in particular, if CIMC shall carry out any rights issue and it is decided by the Purchaser that the rights entitlement on the Sale Shares shall be taken up by COSCO, COSCO shall accept such rights entitlement and the Purchaser will acquire those rights shares at cost (including all taxes and fees) from COSCO together with the Sale Shares.

The Company is not currently aware of any rights issue plan by CIMC. Where additional consideration is payable by the Purchaser as referred to above, the Stock Exchange will aggregate it with the acquisition of the Sale Shares and the Company will comply with the Listing Rules and issue a further announcement.

Change in director of CIMC

COSCO has agreed to, following completion of the Acquisition, assist the Purchaser to adjust in accordance with the articles of association of CIMC the directorship and supervisorship of CIMC held by COSCO's personnel. One of the two directors of CIMC who are COSCO's personnel, Mr. FENG Jinhua, is expected to resign at the request of the Purchaser following the completion of the Acquisition. The Purchaser intends to nominate a person for election as a director of CIMC to fill the vacancy created as a result. Mr. LI Jianhong, a Director, is a director of CIMC since 1995 and the Chairman of the board of directors of CIMC since 1997.

INFORMATION ON CIMC

Place of establishment and business

CIMC became a joint stock company under the laws of the PRC in 1993. It is one of the first container manufacturers and Sino-foreign joint ventures in the PRC. The CIMC Group is principally engaged in the manufacturing and sale of modern traffic and transport equipment such as containers, modern road transport vehicles and airport ground equipment. The core business of CIMC is container manufacturing. The CIMC Group has 13 production bases located in the southern, eastern and northern parts of the PRC. CIMC has a large scale and comprehensive suite of products, ranging from dry van, reefer, tank to various special containers. Since 1996, CIMC has been ranked number one container manufacturer in the world in terms of annual container output and sales volume. CIMC's customers include world leading shipping companies and leasing companies.

Share capital

The A Shares and B Shares were listed on the Shenzhen Stock Exchange in 1994. As at the Latest Practicable Date, CIMC had an issued share capital of RMB1,008,483,353 (equivalent to approximately HK\$947,466,510) divided into 363,781,013 non-publicly tradable shares, 302,933,219 A Shares and 341,769,121 B Shares all of RMB1.00 each and its publicly traded shares accounted for approximately 63.93% of its issued share capital.

The shareholding structure of CIMC as at the Latest Practicable Date and that immediately after completion of the Acquisition (assuming that there will not be any other changes in the shareholding structure) are as follows:

Shareholder	Approximate percentage of total issued share capital as at the Latest Practicable Date			Approximate percentage of total issued share capital upon completion of the Acquisition		
	Non-publicly tradable Shares	B Shares	A Shares	Non-publicly tradable Shares	B Shares	A Shares
COSCO and its subsidiaries (excluding the Group)	16.23%	0.95%	—	—	0.95%	—
The Group	—	—	—	16.23%	—	—
China Merchants Holdings (International) Company Limited and its subsidiaries*	16.23%	6.07%	—	16.23%	6.07%	—
Other shareholders	3.61%	26.87%	30.04%	3.61%	26.87%	30.04%

* China Merchants Holdings (International) Company Limited and its subsidiaries are not connected persons of the Company.

Financial information

The consolidated profit before taxation, extraordinary items and minority interests and the consolidated profit after taxation, extraordinary items and minority interests of the CIMC Group for each of the two years ended 31 December 2002 and 2003 (as ascertained from the audited accounts of the CIMC Group for the two years ended 31 December 2002 and 2003 respectively prepared in accordance with the International Financial Reporting Standards, adjusted to comply with HKSSAP) were as follows:-

	Year ended 31 December	
	2003	2002
	RMB '000	RMB '000
Profit before taxation, extraordinary items and minority interests	884,220	569,237
Profit after taxation, extraordinary items and minority interests	689,441	422,908

The consolidated net asset value of the CIMC Group as at 31 December 2003 amounted to RMB5,296,188,000 (equivalent to approximately HK\$4,975,750,000), which is ascertained from the audited accounts of the CIMC Group for the year ended 31 December 2003 prepared in accordance with the International Financial Reporting Standards, adjusted to comply with HKSSAP.

CONNECTED TRANSACTION

COSCO is the ultimate holding company of the Company and is therefore a connected person of the Company. The Agreement constitutes a discloseable and connected transaction and, pursuant to the Listing Rules, is subject to Independent Shareholders' approval at the Special General Meeting. COSCO Hong Kong and its associates will abstain from voting at the Special General Meeting. An independent board committee will be formed to advise the Independent Shareholders on the fairness and reasonableness of the Agreement. An independent financial advisor will be appointed to advise the independent board committee in respect of the same.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As one of the world's leading container-related conglomerates, the Company has an increasingly integrated range of activities spanning container leasing, container terminals, logistics, container-related industries and other investments. The Company has been pursuing its strategy of "capturing global opportunities". While continuing to leverage on its solid foundation in the PRC, the Company has been actively pursuing business development and investment opportunities in the PRC and around the world. In addition to container leasing and container terminal operations, the Company is committed to expanding its container-related industries. To this end, the Company has invested in three container manufacturing plants in the PRC which has served to strengthen synergies along the Company's container transportation services supply chain. The management considers the proposed investment in CIMC, the world's largest container manufacturer, as a good opportunity to strengthen the Company's foothold in the growing container manufacturing and sales industry.

The Directors consider that the Agreement is on normal commercial terms and the terms including the consideration are fair and reasonable so far as the Company and the Shareholders taken as a whole are concerned, and are in the interests of the Company and the Shareholders taken as a whole. As the Group is engaged in container leasing business, the Directors consider that the proposed investment in CIMC will facilitate the Group's vertical integration initiatives and allow the Group to participate in the profit opportunity of the container manufacturing industry via its equity interest in CIMC and would bring strategic benefits to the Group. The Company has been purchasing containers from CIMC and expects that the vertical integration would allow it to secure a more reliable source of supply of containers from CIMC. The Company currently intends to hold the Sale Shares as a long term strategic investment. Accordingly, it is irrelevant, from the Company's point of view, whether the Shares to be acquired are non-publicly tradable Shares or A Shares or B Shares.

FURTHER INFORMATION

A circular containing, amongst other things, further information of the Agreement, letters from the independent board committee of the Company and from the independent financial adviser respectively regarding the Agreement and a notice to convene the Special General Meeting will be despatched to Shareholders as soon as practicable.

GENERAL

The Group is principally engaged in the businesses of container leasing, container terminals, logistics, container related business and other investments.

COSCO is a diversified company focusing mainly on shipping and modern logistics businesses. Its group also serves as a shipping agency and provides services in freight forwarding, ship building, ship repairing, terminal operation, container manufacturing, trade, financing, real estate, IT, business consulting and contract employment.

As at the date of this announcement, the board of directors of the Company comprises 20 executive directors, namely, Capt. WEI Jiafu (Chairman), Mr. LIU Guoyuan (Vice Chairman), Mr. ZHANG Fusheng, Mr. WANG Futian, Mr. GAO Weijie, Mr. CHEN Hongseng, Mr. LI Jianhong, Mr. MA Zehua, Mr. MA Guichuan, Ms. SUN Yueying, Mr. LI Yunpeng, Mr. ZHOU Liancheng, Mr. SUN Jiakang (Managing Director), Mr. XU Lirong, Mr. HE Jiale, Mr. LIANG Yanfeng, Mr. WONG Tin Yau, Kelvin, Mr. MENG Qinghui, Mr. LU Chenggang and Mr. QIN Fuyan; four independent non-executive directors, namely, Dr. LI Kwok Po, David, Mr. LIU Lit Man, Mr. Alexander Reid HAMILTON and Mr. LEE Yip Wah, Peter and one non-executive director, namely, Mr. KWONG Che Keung, Gordon.

DEFINITIONS

Term	Meaning
"A Shares"	the RMB-denominated domestic A shares in the capital of CIMC listed on the Shenzhen Stock Exchange
"Acquisition"	the proposed acquisition of Shares by the Purchaser pursuant to the Agreement
"Agreement"	the agreement dated 19 August 2004 between the Purchaser and COSCO in relation to the acquisition of 163,701,456 non-publicly tradable State-owned legal person shares in CIMC, representing approximately 16.23% of the issued share capital of CIMC as at the Latest Practicable Date
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"B Shares"	the domestically listed (on the Shenzhen Stock Exchange) foreign shares in the capital of CIMC
"CIMC"	China International Marine Containers (Group) Co., Ltd. (中國國際海運集裝箱(集團)股份有限公司), which is not a connected person of the Company under the Listing Rules
"CIMC Group"	CIMC and its subsidiaries
"Company"	COSCO Pacific Limited
"Conditions"	the conditions which must be fulfilled before the Acquisition will be completed
"COSCO"	China Ocean Shipping (Group) Company, the ultimate holding company of the Company and a state-owned enterprise in the PRC
"COSCO Hong Kong"	COSCO (Hong Kong) Group Limited, a wholly owned subsidiary of COSCO
"Directors"	the directors (other than independent non-executive directors) of the Company
"Group"	the Company and its subsidiaries
"HK\$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSSAP"	Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Shareholders"	Shareholders other than COSCO Hong Kong and its associates
"Latest Practicable Date"	30 June 2004, being the latest practicable date prior to the publication of this announcement for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China (for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan)
"Purchaser"	COSCO Container Industries Limited, a wholly-owned subsidiary of the Company and a limited liability company incorporated in the British Virgin Islands
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	the 163,701,456 non-publicly tradable State-owned legal person shares in CIMC to be sold under the Agreement
"Share(s)"	share(s) in the capital of CIMC
"Shareholder(s)"	holder(s) of the share(s) in the capital of the Company
"Special General Meeting"	the special general meeting to be held among Shareholders by the Company to consider and approve the Agreement and the transactions contemplated thereunder
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

For the purposes of this announcement, the exchange rate at HK\$1 = RMB1.0644 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount 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
SUN Jiakang
Managing Director