



COSCO Pacific Limited

(Incorporated in Bermuda with Limited Liability)

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

On 19 August 2004, COSCO Container Industries Limited (“Purchaser”), a wholly-owned subsidiary of COSCO Pacific Limited (“Company” or “COSCO Pacific”), entered into an Agreement with China Ocean Shipping (Group) Company (“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 China International Marine Containers (Group) Co., Ltd. (“CIMC”), representing approximately 16.23% of the issued share capital of CIMC.

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.

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 by the Purchaser within 10 business days after all the Conditions have been fulfilled.

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, 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 consideration per Share payable to COSCO is approximately RMB6.45 (equivalent to approximately HK\$6.06), and represents 23% premium over the net assets per Share of approximately RMB5.25 as at 31 December 2003. 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 above.

Events to take place prior to completion of the Acquisition >>

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

- (a) the passing by the Independent Shareholders at a general meeting of a resolution approving the Agreement and the transactions contemplated thereunder;
- (b) 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;
- (c) the granting by the Company of an irrevocable guarantee of the Purchaser's obligations under the Agreement to COSCO; and
- (d) the issuing of a PRC legal opinion by the PRC legal counsel engaged by the Purchaser.

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 RMB 1.00 each and its publicly traded shares accounted for approximately 63.93% of its issued share capital.

Financial information >>

The consolidated profit after taxation, extraordinary items and minority interests of the CIMC and its subsidiaries (“CIMC Group”) was RMB689,441,000 in 2003 (2002: RMB422,908,000)

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).

REASONS FOR AND BENEFITS OF THE ACQUISITION

As one of the world's leading container-related conglomerates, COSCO Pacific 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 (other than independent non-executive directors, same below) of COSCO Pacific 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 interests 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.

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The announcements with details of the Acquisition in English and Chinese will be published in Hong Kong Standard and Hong Kong Economic Times on 20 August 2004. The PDF files of the announcements are also retrievable in our website (<http://www.coscopac.com.hk>)

For further inquiry, please contact Mr. Raymond Yuan, General Manager of the Public Relations and Communications Department at:
(Tel. 2809-8188; Fax: 2907-6088; E-mail: yuanqing@coscopac.com.hk).

DEFINITIONS

<u>Term</u>	<u>Meaning</u>
“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
“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
“Directors”	the directors (other than independent non-executive directors) of the Company
“Group”	the Company and its subsidiaries
“Latest Practicable Date”	30 June 2004, being the latest practicable date prior to the publication of this announcement for ascertaining certain information contained herein
“Purchaser”	COSCO Container Industries Limited, a wholly-owned subsidiary of the Company and a limited liability company incorporated in the British Virgin Islands
“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