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# COSCO International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 0517)

## DISCLOSEABLE TRANSACTION DISPOSAL OF INTEREST IN A JOINT VENTURE INVESTMENT

On 23rd June 2006, the Vendor and the Purchaser entered into the Agreement relating to the Disposal pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to acquire a 54% interest in Henan XZY at a Consideration of RMB43,800,000 (approximately HK\$42,355,000).

The Directors consider that the terms of the Agreement, which were concluded by the parties after arm's length negotiations, are fair and reasonable and are on normal commercial terms and the Agreement is in the interests of the Company and the Shareholders as a whole.

The Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. A circular containing, among other things, details of the Agreement and the Disposal will be despatched to the Shareholders as soon as practicable.

### THE AGREEMENT DATED 23RD JUNE 2006

#### 1. The parties

- (a) Vendor: 新中原國際企業有限公司 (New Central International Enterprises Co., Limited), an indirect non wholly-owned subsidiary of the Company.
- (b) Purchaser: 河南省建設投資總公司 (Henan Provincial Investment Company), a State-owned enterprise established under the laws of the PRC, a joint venture holder of Henan XZY which holds 10% interest in Henan XZY. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, save and except that the Purchaser is a joint venture holder of Henan XZY, the Purchaser and its ultimate beneficial owners are independent third parties and not connected persons of the Company.

#### 2. Transfer of interest

Pursuant to the Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the 54% interest in Henan XZY.

After Completion, the respective interests in Henan XZY will be as follows: –

#### Interest in Henan XZY

Purchaser	64%
New Central International Development Company Limited	36%

After Completion, the Vendor will no longer have any interests in Henan XZY and Henan XZY will cease to be an investment of the Company.

#### Information on Henan XZY

Henan XZY is a sino-foreign cooperative joint venture established in the PRC on 23rd February 1995 for a term of 20 years with a total investment amount and registered capital of RMB1,200,000,000 (approximately HK\$1,160,400,000) and RMB400,000,000 (approximately HK\$386,800,000) respectively and is currently owned as to 10% by the Purchaser, 54% by the Vendor and 36% by the other joint venture holder. The principal activity of Henan XZY is to manage and operate two sets 200MW coal-fired generators for a contractual period of 20 years starting from February 1995. The Vendor has contributed 54% of the registered capital of Henan XZY, whereas under the joint venture agreement (合作合同) dated 8th September 1994 of Henan XZY, the Vendor is currently entitled to 30% of the after-tax profit from Henan XZY per annum up to the end of the joint venture period for profit after taxation up to RMB160,000,000 (approximately HK\$154,720,000) and 54% of the after-tax profit of Henan XZY on the excess portion exceeding RMB160,000,000 (approximately HK\$154,720,000). Henan XZY had incurred a loss of RMB28,135,000 (approximately HK\$27,207,000) for the year ended 31 December 2005 and had never made profit after taxation in excess of RMB160,000,000 since 1st October 2001. The Vendor has no majority of the voting rights in Henan XZY which means that Henan XZY cannot deal with any matters without participation of the other joint venture holders of Henan XZY, and any amendments to the constitution of Henan XZY must be subject to unanimous approval from all directors of Henan XZY present in its board meeting. In accordance to the joint venture agreement, all remaining assets of Henan XZY will be reverted to the PRC joint venture holder(s) upon the expiry of joint venture period.

Save for the above-mentioned facts, the Group has no power to govern the financial and operating policies generally accompanying Henan XZY. As such, Henan XZY was treated as a fixed return joint venture before the adoption of Hong Kong Financial Reporting Standards ("HKFRS"). Fixed return joint venture is carried at cost less accumulated amortization. Amortization is provided to write off the investment cost of joint venture over the joint venture period on a basis whereby the annual investment income less amortization for the year would produce a constant periodic rate of return on the carrying amount of the investment in the joint venture. Provision is made when there is a permanent diminution in value of the investment in the joint venture. Henan XZY is treated as available-for-sale financial assets, following the Group's adoption of HKFRS in year 2005. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Henan XZY has never been accounted for as a subsidiary in the accounts of the Company. It has only been treated as "other investment in a joint venture" in the financial statements of the Group.

#### Financial information on Henan XZY

Based on the PRC audited accounts, the net assets of Henan XZY as at 31st December 2005 amounted to approximately RMB617,093,000 (approximately HK\$596,729,000) and the profit/(loss) before and after taxation of Henan XZY for the two years ended 31st December 2004 and 2005 are as follows:

	For years ended 31st December	
	2005	2004
	RMB/HKS (approximately)	RMB/HKS (approximately)
Net (loss)/profit before taxation	(28,135,000)/(27,207,000)	15,376,000/14,869,000
Net (loss)/profit after taxation	(28,135,000)/(27,207,000)	13,013,000/12,584,000

#### 3. The Consideration

The aggregate amount payable by the Purchaser under the Agreement shall be RMB43,800,000 (approximately HK\$42,355,000).

The Consideration is payable by the Purchaser in the following manner: –

- the amount of RMB4,380,000 (approximately HK\$4,235,500), which is equivalent to 10% of the Consideration, shall be paid by the Purchaser within 3 working days from signing of the Agreement;
- the amount of RMB17,520,000 (approximately HK\$16,942,000), which is equivalent to 40% of the Consideration, shall be paid by the Purchaser within 3 working days upon the Purchaser having acknowledged receipt of the approval documents issued by the relevant PRC government original approval authority in relation to the transfer of interest of joint venture holder of Henan XZY and the new approval certificate (Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macao and Overseas Chinese in the PRC) (中華人民共和國台灣僑投資企業批准證書) in respect of the transaction contemplated under the Agreement;
- the amount of RMB8,760,000 (approximately HK\$8,471,000), which is equivalent to 20% of the Consideration, shall be paid by the Purchaser within 3 working days from completion of handover and execution of handover documents; and
- the amount of RMB13,140,000 (approximately HK\$12,706,400), which is equivalent to 30% of the Consideration, shall be paid by the Purchaser within 3 working days from the completion of change in business license and issue of the new business license of Henan XZY by the relevant PRC government registration authority.

All the above-mentioned payment of consideration shall be paid by the Purchaser by way of depositing the amount into a bank account designated by the Vendor.

The Consideration was arrived at arm's length negotiations between the Vendor and the Purchaser, and was determined after taking into account the financial performance of Henan XZY in the recent years which shows that the cash distributions of Henan XZY have been decreasing since 1st October 2001 and it had also incurred a loss of RMB28,135,000 (approximately HK\$27,207,000) for the year ended 31st December 2005, and the carrying amount of the investment in Henan XZY being HK\$29,935,000 as at 31st December 2005.

#### 4. Conditions

Completion of the Agreement is conditional upon satisfaction of all of the following conditions: –

- the shareholders or head of department of the Purchaser having issued a written approval in respect of the acquisition of the interest by the Purchaser as contemplated under the Agreement in accordance with the relevant laws and regulations and/or articles of association of the Purchaser;
- in accordance with the requirements under the Listing Rules, if necessary, having obtained the approval from the Shareholders and/or the Stock Exchange, and/or made proper announcement;
- the other joint venture holder(s) of Henan XZY, not being a party of the Agreement, having approved the transfer of the interest contemplated under the Agreement;

- the Vendor and the Purchaser having obtained approval from its respective board of directors and/or shareholders according to its respective articles of association in respect of the transfer of the interest contemplated under the Agreement;
- the board of directors of Henan XZY having approved the Vendor to sell and the Purchaser to acquire the interest; and
- having obtained the following documents issued from the relevant PRC government authority: –
  - approval documents in respect of the transfer of interest as contemplated under the Agreement and the new approval certificate (Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macao and Overseas Chinese in the PRC) (中華人民共和國台灣僑投資企業批准證書);
  - approval documents in respect of the amendments in the joint venture agreement (合作合同) of Henan XZY issued by the Purchaser and the remaining joint venture holder(s) of Henan XZY; and
  - approval documents in respect of the amendments in the articles of association (章程) of Henan XZY issued by the Purchaser and the other joint venture holder(s) of Henan XZY and approved by the board of directors of Henan XZY.

If the Conditions cannot be fulfilled on or before 31st December 2006 or such later date as the parties to the Agreement may agree in writing, the Agreement shall automatically terminate.

#### REASONS FOR AND BENEFITS OF THE DISPOSAL

Throughout these years, the Company has been positioning itself on ship trading and supplying services as strategic development which has made a remarkable progress. By acquiring interests in marine paint and coatings manufacturers, the marine insurance brokerage and the marine equipment and spare parts trading company within the COSCO Group and the disposal of the investment properties, the Group has gradually underpinned success to become one of the major ship trading and supplying services providers in the PRC.

The expansions in ship trading and supplying services led the Group to have a stable and healthy growth. The Group will continue to focus on the ship trading and supplying services. The Board believes that realizing this non-core business will further enable the Group to concentrate on its ship trading and supplying services businesses.

#### FINANCIAL EFFECTS OF THE DISPOSAL

Based on the carrying amount of the investment in Henan XZY as at 31st December 2005, the Group estimates that the expected net gain from the Disposal (after deducting the related transaction costs) will be approximately HK\$12,000,000.

#### USE OF PROCEEDS

The proceeds will provide the Group with additional working capital or cash resources for further investments. The Group has not committed to any investment plan which requires the use of the proceeds.

#### DISCLOSEABLE TRANSACTION

The Disposal contemplated under the Agreement constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing, among other things, details of the Agreement and the Disposal will be despatched to the Shareholders as soon as practicable.

#### GENERAL

The Vendor is principally engaged in investment holding. The Group is principally engaged in ship trading and supplying services, other business operations include property development and property investment.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the principal business activity of the Purchaser is investment holding in power generating, cement manufacturing, paper manufacturing, property development and road toll projects.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Disposal are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**DEFINITIONS**

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

“Agreement”	the agreement dated 23rd June 2006 entered into between the Vendor and the Purchaser pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 54% interest of Henan XZY pursuant to the terms and conditions of such agreement
“Board”	the board of Directors
“Company”	COSCO International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Disposal (for use under the heading “Conditions”)
“Conditions”	the conditions precedent to Completion, as more particularly set out under the section headed “Conditions” of this announcement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate amount payable by the Purchaser to the Vendor pursuant to the Agreement, as more particularly set out under the section headed “The Consideration” of this announcement
“COSCO Group”	中國遠洋運輸（集團）總公司 (China Ocean Shipping (Group) Company*), a company incorporated in the PRC, the ultimate holding company of the Company, and its subsidiaries (other than the Group)
“Directors”	the directors of the Company
“Disposal”	the disposal of a 54% interest in Henan XZY by the Vendor pursuant to the terms and conditions of the Agreement
“Group”	the Company and its subsidiaries
“Henan XZY”	河南新中益電力有限公司 (Henan Xin Zhong Yi Electric Power Co., Ltd), a limited liability company established in the PRC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China which for the purpose of this announcement excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Purchaser”	河南省建設投資總公司 (Henan Provincial Investment Company), a State-owned enterprise established under the laws of the PRC, a joint venture holder of Henan XZY which holds 10% interest in Henan XZY
“Shareholder(s)”	holders of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	新中原國際企業有限公司 (New Central International Enterprises Co., Limited), a company incorporated in Hong Kong with limited liability and an indirect non wholly-owned subsidiary of the Company, which holds 54% interest in Henan XZY
“working day(s)”	a day on which commercial banks in the PRC and Hong Kong are generally open for business (excluding Saturdays, Sundays and public holidays of both places)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi yuan, the lawful currency of the PRC
“%”	per cent.

*Note: For the purpose of this announcement, the following exchange rate has been used for the conversion of Renminbi into Hong Kong dollars for indication only: RMB 1 = HK\$ 0.967.*

By Order of the Board  
**COSCO International Holdings Limited**  
**LIU Hanbo**  
 Managing Director

Hong Kong, 23rd June 2006

*\* for identification purpose only*

*As at the date of this announcement, the Board comprises fourteen Directors of which Mr. Wei Jiafu (Chairman), Mr. Liu Guoyuan (Vice-chairman), Mr. Li Jianhong, Mr. Zhou Liancheng, Mr. Liu Hanbo (Managing Director), Mr. Jia Lianjun, Mr. Wang Xiaoming, Mr. Chen Pisen, Mr. Meng Qinghui, Mr. Lin Libing and Mr. Wang Xiaodong are executive Directors; and Mr. Chan Cheong Foon, Andrew, Mr. Kwong Che Keung, Gordon and Mr. Tsui Yiu Wa, Alec are independent non-executive Directors.*

*The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*