



COSCO International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 0517)

MAJOR AND CONNECTED TRANSACTIONS RELATING TO SINO OCEAN REAL ESTATE DEVELOPMENT CO., LTD.

The Share Transfer Agreement

The Company, through its wholly-owned subsidiary, Dynamic Class, entered into the Share Transfer Agreement on 22nd August 2006 with COSCO and COSCO Tianjin relating to the acquisitions of 20% and 4% equity interest in SORED by Dynamic Class from COSCO and COSCO Tianjin respectively for a cash consideration of RMB329,400,000 (equivalent to approximately HK\$321,066,180) and RMB65,880,000 (equivalent to approximately HK\$64,213,236) respectively. The above considerations for the Acquisitions have been arrived at after arm's length negotiations between the parties on the basis of a premium of approximately 10.3% over the NAV and a discount of approximately 17.4% on the Adjusted NAV. The principal businesses of SORED are property development and investment, decoration, trading of construction materials and provision of property consultancy services in the PRC. Upon Completion, Dynamic Class will hold 24% of the equity interest in SORED. Together with the 20% equity interest in SORED currently held by Mission Success, another wholly-owned subsidiary of the Company, the Group will hold a total of 44% equity interest in SORED.

The Acquisitions constitute major transactions for the Company under the Listing Rules. As COSCO is the ultimate controlling shareholder of the Company and COSCO Tianjin is a subsidiary of COSCO, COSCO and COSCO Tianjin are connected persons of the Company, the Acquisitions contemplated under the Share Transfer Agreement also constitute connected transactions for the Company under the Listing Rules, and the Share Transfer Agreement is therefore subject to the Independent Shareholders' approval.

A circular containing, among other things, further details of the Share Transfer Agreement, a letter from the independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders, the recommendation of the Independent Board Committee and a property valuation report prepared by the Independent Valuer together with a notice convening a special general meeting of the Company will be despatched to the Shareholders as soon as practicable. True Smart and its associates will abstain from voting on the resolutions approving the Share Transfer Agreement.

THE SHARE TRANSFER AGREEMENT

Date: 22nd August 2006

Parties: COSCO and COSCO Tianjin (as the vendors); and
Dynamic Class (as the purchaser).

Assets to be acquired

Dynamic Class shall acquire:

- 20% equity interest in SORED owned by COSCO; and
- 4% equity interest in SORED owned by COSCO Tianjin.

Upon Completion, Dynamic Class will own 24% of the equity interest in SORED. Together with the 20% equity interest in SORED currently held by Mission Success, another wholly-owned subsidiary of the Company, the Group will hold a total of 44% equity interest in SORED.

Consideration

- A cash consideration of RMB329,400,000 (equivalent to approximately HK\$321,066,180) is payable for the acquisition of COSCO's 20% equity interest in SORED; and
- A cash consideration of RMB65,880,000 (equivalent to approximately HK\$64,213,236) is payable for the acquisition of COSCO Tianjin's 4% equity interest in SORED.

The above considerations for the Acquisitions have been arrived at after arm's length negotiations between the parties on the basis of a premium of approximately 10.3% over the NAV of SORED of approximately RMB1,493,000,000 (equivalent to approximately HK\$1,455,227,100) as at 30th June 2006 and a discount of approximately 17.4% on the Adjusted NAV of SORED of approximately RMB1,993,000,000 (equivalent to approximately HK\$1,942,577,100). The above considerations shall be payable by Dynamic Class to COSCO and COSCO Tianjin respectively by way of wire transfer of the relevant consideration to their respective designated bank accounts. The above considerations shall be paid on the fifth working day after the date on which Dynamic Class received from COSCO and COSCO Tianjin all the documents which evidence the satisfaction or waiver of each of the conditions precedent (other than the condition precedent set out in sub-paragraph (a) below). The aggregate considerations shall be funded by the internal resources of the Group.

The parties further agreed that COSCO and COSCO Tianjin shall be entitled to share 20% and 4% respectively of the distributable profits of SORED accrued from 1st July 2006 up to the date of the approval of the Acquisitions by SASAC (being one of the conditions precedent as set out below), which shall be determined based on the 2006 audited accounts of SORED on a pro rata basis. Dynamic Class shall be entitled to share 24% of the distributable profits of SORED accrued after the date of the approval of the Acquisitions by SASAC.

Conditions precedent

Unless otherwise waived by Dynamic Class, COSCO and COSCO Tianjin in writing, Completion shall be conditional upon, among other things, the following conditions precedent being fulfilled:

- in accordance with the relevant provisions of the Listing Rules, the requisite disclosure of the transactions contemplated under the Share Transfer Agreement having been made by the Company and the passing of resolutions by the Independent Shareholders at a general meeting of the Company approving the Share Transfer Agreement and the transactions contemplated thereunder;
- each of Mission Success, WCI, Franshion Properties, Sinochem and FOTIC, being the other shareholders of SORED, having given its written consent to the transfer of equity interests contemplated under the Share Transfer Agreement and having waived its right of first refusal to the said equity interests in accordance with the joint venture agreement and the articles of association of SORED;
- COSCO having given its written consent, in accordance with the joint venture agreement and the articles of association of SORED, to the transfer of 4% equity interest in SORED by COSCO Tianjin to Dynamic Class and having waived its right of first refusal to the said 4% equity interest;
- COSCO Tianjin having given its written consent, in accordance with the joint venture agreement and the articles of association of SORED, to the transfer of 20% equity interest by COSCO to Dynamic Class and having waived its right of first refusal to the said 20% equity interest;
- approvals from the Ministry of Commerce of the PRC or the relevant government consents relating to the Share Transfer Agreement and the transfers of equity interest as contemplated thereunder having been obtained;
- state-owned assets valuation in relation to the transfers of equity interest under the Share Transfer Agreement having been done and reported to the SASAC and the transfers of equity interest have been approved by the SASAC;
- the board resolutions of SORED approving the Share Transfer Agreement having been obtained;
- consents of each of COSCO and COSCO Tianjin approving the Share Transfer Agreement having been obtained in accordance with the relevant PRC laws and/or its articles of association; and
- the procedures for registering the transfers of equity interest having been completed with the relevant PRC government registry and a new business licence of SORED with the amended details having been issued.

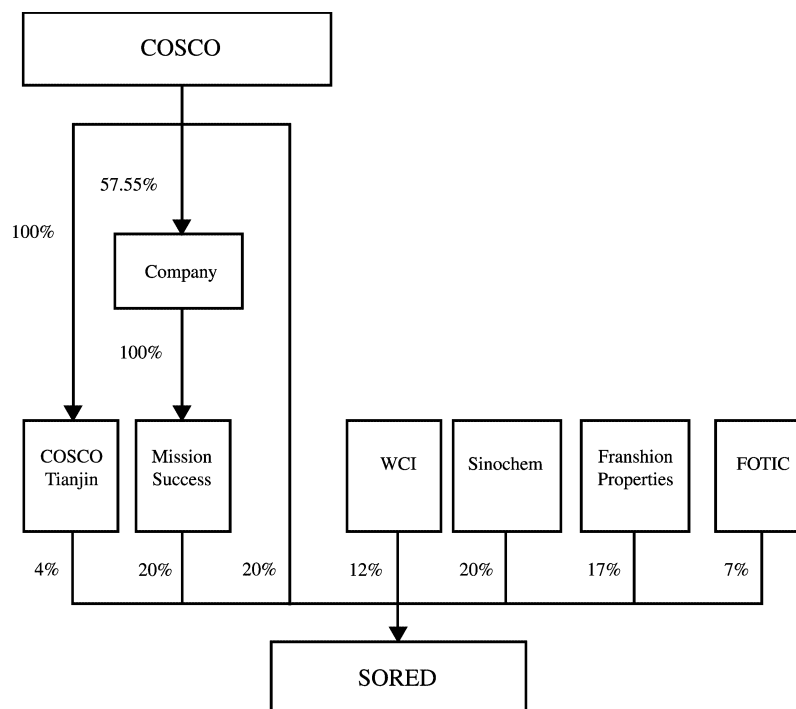
The above conditions precedent shall be satisfied and/or waived before 31st December 2006 or such later date as the parties may agree in writing.

INFORMATION ON SORED

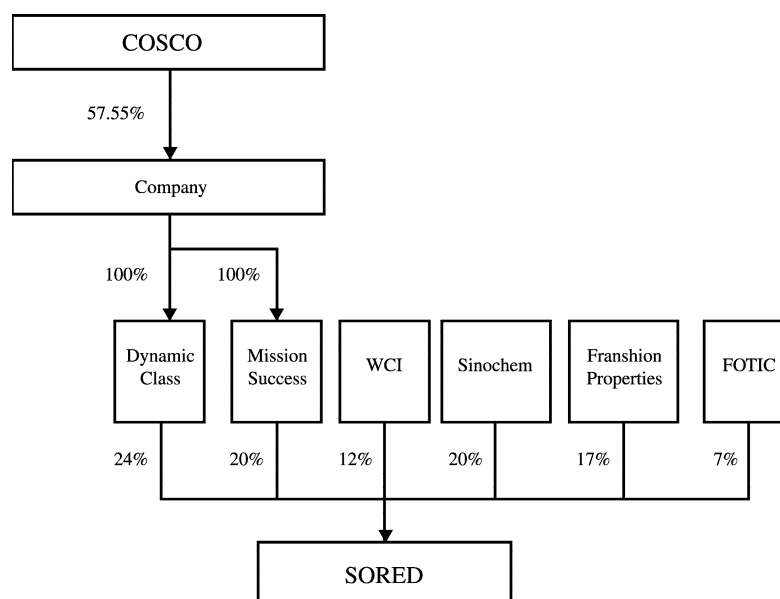
SORED is a company incorporated under the laws of the PRC on 12th June 1993 with a current registered capital of RMB1,000,000,000 (approximately HK\$974,700,000). SORED is principally engaged in the businesses of property

development and investment, decoration, trading of construction materials and provision of property consultancy services in the PRC. The Independent Valuer has preliminarily indicated that the value of the property portfolio of SORED as at 30th June 2006 is approximately RMB11,000,000,000 (equivalent to approximately HK\$10,721,700,000). Immediately before Completion, SORED is beneficially owned as to 4% by COSCO Tianjin, 20% by Mission Success, 20% by COSCO, 12% by WCI, 20% by Sinochem, 17% by Franshion Properties and 7% by FOTIC respectively. After Completion, SORED will then be owned as to 24% by Dynamic Class, 20% by Mission Success, 12% by WCI, 20% by Sinochem, 17% by Franshion Properties and 7% by FOTIC respectively. The following charts illustrate the change in shareholdings in SORED before and after Completion.

Immediately before Completion



Upon Completion



Upon Completion, the Group will hold an aggregate of 44% equity interest in SORED which will become an associated company of the Company. At present, Mission Success has nominated two directors to the board of SORED; COSCO has nominated two directors to the board of SORED; and COSCO Tianjin is not entitled to nominate any director to the board of SORED. Upon Completion, Dynamic Class will own 24% equity interests in SORED in replacement of COSCO and COSCO Tianjin, and appropriate arrangements will be made upon and/or after Completion in relation to appointment of directors by Dynamic Class to the board of SORED.

The carrying cost of investment of the 20% equity interest in SORED to COSCO is approximately RMB275,350,000 (equivalent to approximately HK\$268,383,645) and the carrying cost of investment of the 4% equity interest in SORED to COSCO Tianjin is approximately RMB43,650,000 (equivalent to approximately HK\$42,545,655).

Based on the audited financial statements of SORED, which were prepared in accordance with the accounting principles generally accepted in the PRC, the audited consolidated profit before taxation and profit after taxation for the year ended 31st December 2004, 2005 and the six months ended 30th June 2006 are set out in the following table:

	(Audited) Year ended 31st December 2004 RMB million	(Audited) Year ended 31st December 2005 RMB million	(Audited) Six months ended 30th June 2006 RMB million
Profit before taxation	219.7	344.5	42.1
Profit/(loss) after taxation	112.1	207.9	(7.2)

For the year ended 31st December 2004, approximately 65% out of RMB112,100,000 of the profit (after taxation), as compared to the profit (after taxation) shown in the unaudited consolidated management accounts of SORED for the six months ended 30th June 2004, had been recognized and accounted for in the second half of the year 2004; and for the year ended 31st December 2005, approximately 95% out of RMB207,900,000 of the profit (after taxation), as compared to the profit (after taxation) shown in the unaudited consolidated management accounts of SORED for the six months ended 30th June 2005, had been recognized and accounted for in the second half of the year 2005.

The Group has been enjoying profit and cash flow contributions in the past two years (i.e. 2004 and 2005) by virtue of its existing 20% equity interest in SORED. Net loss has however been recorded in the consolidated profit and loss accounts for the six months ended 30th June 2006 due to: –

- (i) Sales revenue on properties units is only recognized upon completion and delivery of property units to the property purchasers. As property projects during the year 2006 are expected to reach completion and delivery stage by the second half of 2006, there has been little profit contribution in the first half of 2006. Given that gross profit generated by relatively low turnover was subtracted by relatively fixed overheads and other costs, net loss has therefore been recorded in the profit and loss accounts for the first half of 2006.
- (ii) Since major property projects completed and delivered prior to end of last year had already been substantially accounted for in the accounts as at 31st December 2005, there will be a time gap before sales revenue from new property projects in 2006 could be recognized in the accounts of 2006 based on the accounting method as mentioned in (i) above.

The NAV of SORED as at 30th June 2006 amounted to approximately RMB1,493,000,000 (equivalent to approximately HK\$1,455,227,100). The principal assets of SORED are its attributable interests in various PRC properties and interests in associated companies engaged in, among others, property investment and trading of construction materials.

The principal assets and property interests held by SORED include 16 major properties (including mainly, properties under development). These 16 properties have an aggregate gross floor area (including gross floor area of completed properties as well as estimated gross floor area upon completion for properties under development) of approximately 3.4 million square metres. Out of these 16 properties, (i) 13 of which with total gross floor area of approximately 2.1 million square metres, are located in Beijing, the PRC; (ii) 1 of which with total gross floor area of approximately 240,000 square metres, are located in Tianjin, the PRC; (iii) 1 of which with total gross floor area of approximately 130,000 square metres, is located in Dalian, the PRC; and (iv) 1 of which with total gross floor area of approximately 990,000 square metres, is located in Zhongshan, the PRC.

REASONS FOR ENTERING INTO THE SHARE TRANSFER AGREEMENT

Since 2003, the Group has been holding a 20% equity interest in SORED after a share acquisition and subsequent capital injection into SORED with an aggregate consideration of RMB218,260,000 (equivalent to approximately HK\$212,738,022). During the past two years, the Group was delighted to see fruitful profit contributions from this investment. The Directors consider that it is time to further increase the Group's shareholding in SORED from 20% to 44%. In view of SORED's rapid growing business in the recent years as well as its proven track record in property development business in the PRC, the Directors believe that the Acquisitions will eventually bring a meaningful profit contribution for the Group. As a result of the Acquisitions, the Group intends that, it will carry on its property development business in the PRC through its investment interest in SORED.

The Directors believe that the terms of the Share Transfer Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

GENERAL

The Group is principally engaged in the business of ship trading and supplying services, other business operations include property development and investment. In line with its strategy, the Group intends to focus on its core business of ship trading and supplying services.

COSCO is one of the largest shipowners in the world. COSCO Tianjin is a wholly-owned subsidiary of COSCO and is principally engaged in the international ocean shipping business.

The Acquisitions constitute major transactions for the Company under the Listing Rules. As COSCO is the ultimate controlling shareholder of the Company and COSCO Tianjin is a subsidiary of COSCO, COSCO and COSCO Tianjin are connected persons of the Company, the Acquisitions contemplated under the Share Transfer Agreement constitute connected transactions for the Company under the Listing Rules, and the Share Transfer Agreement is therefore subject to the Independent Shareholders' approval.

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the Share Transfer Agreement. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders regarding the Share Transfer Agreement. True Smart and its associates will abstain from voting on the resolutions approving the Share Transfer Agreement.

A circular containing, among other things, further details of the Share Transfer Agreement, a letter from the independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders, the recommendation of the Independent Board Committee and a property valuation report prepared by the Independent Valuer together with a notice convening a special general meeting of the Company will be despatched to the Shareholders as soon as practicable.

DEFINITION

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

“Acquisitions”	the acquisitions of 20% equity interest and 4% equity interest in SORED by Dynamic Class from COSCO and COSCO Tianjin respectively pursuant to the Share Transfer Agreement
“Adjusted NAV”	NAV adjusted for surplus of approximately RMB500,000,000 on the preliminary valuation by the Independent Valuer of the property portfolio of SORED as at 30th June 2006
“associate(s)”	has the meaning ascribed to it under the Listing Rules

“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 Stock Exchange
“Completion”	the completion of the transfer of a total of 24% equity interest by COSCO and COSCO Tianjin to Dynamic Class in consideration of the payment of the aggregate consideration of RMB395,280,000 (equivalent to HK\$385,279,416) pursuant to the Share Transfer Agreement
“COSCO”	中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company*), a company incorporated in the PRC and the ultimate beneficial owner holding approximately 57.55% equity interest in the Company
“COSCO Group”	COSCO and its subsidiaries
“COSCO Tianjin”	天津遠洋運輸公司 (Tianjin Ocean Shipping Company*), a company incorporated in the PRC and a wholly-owned subsidiary of COSCO which currently owns 4% equity interest in SORED
“Directors”	the directors of the Company
“Dynamic Class”	Dynamic Class Limited, a company incorporated in Hong Kong and is a wholly-owned subsidiary of the Company
“FOTIC”	中國對外經濟貿易信托投資有限公司 (China Foreign Economy and Trade Trust & Investment Co, Ltd*), a company incorporated in the PRC and is a subsidiary of Sinochem which currently owns 7% equity interest in SORED
“Franshion Properties”	Franshion Properties (China) Ltd (方興地產(中國)有限公司), a company incorporated in Hong Kong and is a subsidiary of Sinochem which currently owns 17% equity interest in SORED
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	An independent committee of the Board comprising Mr. Chan Cheong Foon, Andrew, Mr. Kwong Che Keung, Gordon and Mr. Tsui Yiu Wa, Alec, all being independent non-executive Directors of the Company, appointed to consider and make recommendation to the Independent Shareholders in relation to the Acquisitions
“Independent Shareholder(s)”	Shareholder(s) other than True Smart and any of its associates
“Independent Valuer”	Vigers Appraisal and Consulting Ltd., a professional valuer
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mission Success”	Mission Success Limited, a company incorporated in Hong Kong and is a wholly-owned subsidiary of the Company, which currently owns 20% equity interest in SORED
“NAV”	the unaudited consolidated net asset value of SORED as at 30th June 2006 as disclosed in its unaudited management account prepared in accordance with the generally accepted accounting principles in Hong Kong
“PRC”	the People's Republic of China which for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	Stated-owned Assets Supervision and Administration Commission
“Share Transfer Agreement”	the share transfer agreement dated 22nd August 2006 entered into between Dynamic Class, COSCO and COSCO Tianjin relating to the Acquisitions
“Shareholder(s)”	the holder(s) of the share(s) of the Company
“SORED”	中遠房地產開發有限公司 (Sino Ocean Real Estate Development Co., Ltd*), formerly named 中遠房地產開發有限公司 (COSCO Real Estate Development Co., Ltd.), a company incorporated in the PRC
“SORED Group”	SORED and its subsidiaries
“Sinochem”	中國中化集團公司 (Sinochem Corporation*), a company incorporated in the PRC, which currently owns 20% equity interest in SORED
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“True Smart”	True Smart International Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of COSCO (Hong Kong) Group Limited, the intermediate holding company of the Company which directly holds 57.55% equity interest in the Company
“WCI”	Wonderland Capital Inc., a company incorporated in the British Virgin Islands which currently owns 12% equity interest in SORED
“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)
“%”	per cent

* for identification only

Note: For the purpose of this announcement and for indication only, the following exchange rate has been used for the conversion of Renminbi into Hong Kong dollars: RMB1 = HK\$0.9747.

By Order of the Board
COSCO International Holdings Limited
Liang Yanfeng
 Managing Director

Hong Kong, 22nd August 2006

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. Jia Lianjun, Mr. Wang Xiaoming, Mr. Liang Yanfeng (Managing Director), Mr. Meng Qinghui, Mr. Chen Xuewen, Mr. Lin Libing, Mr. Wang Xiaodong and Mr. Lin Wenjin 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.