



COSCO International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 0517)

DISCLOSEABLE TRANSACTION

DISPOSAL OF THE ENTIRE 10% EQUITY INTEREST IN SHANGHAI JV

On 13th September 2006, the Company entered into an agreement with the Purchaser whereby the Company conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire 10% equity interest in Shanghai JV held by the Company at the consideration of RMB39 million.

As the applicable percentage ratios of the transactions contemplated under the Agreement exceed 5% but are below 25%, the Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. A circular containing further details on the Agreement will be despatched to the Shareholders as soon as practicable.

THE AGREEMENT

On 13th September 2006, the Company entered into the Agreement with the Purchaser whereby the Company conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Equity Interest in Shanghai JV. The principal terms of the Agreement are set out below:

Date: 13th September 2006

Vendor: The Company

Purchaser: 上海塗料有限公司 (Shanghai Coatings Company Limited)

Subject matter: The entire 10% equity interest in Shanghai JV held by the Company, excluding any unpaid dividends declared before 31st December 2005 but including any dividends that may be declared after 31st December 2005. As at the date of this announcement, no dividend has been declared by Shanghai JV since 1st January 2006.

Consideration: RMB39 million (equivalent to approximately HK\$38.11 million)

Terms of Payment: The consideration shall be payable by the Purchaser to the Company in cash in the following manners: –

- RMB3.9 million, representing 10% of the consideration, shall be payable within five (5) business days after the date of execution of the Agreement as deposit;
- after obtaining the approval from the relevant PRC approval authority in respect of the transfer of the Equity Interest, RMB33.15 million, representing 85% of the consideration, shall be payable within five (5) business days from the date on which the approval for remittance of funds to a bank account outside the PRC as designated by the Company is granted by the State Administration of Foreign Exchange; and
- RMB1.95 million, representing the remaining 5% of the consideration, shall be payable within five (5) business days from the date on which the relevant PRC registration authority completes the registration of the change of shareholding of Shanghai JV and issues the new business licence of Shanghai JV in respect of the transfer of the Equity Interest and the approval of the State Administration of Foreign Exchange is granted.

Conditions Precedent: Unless the parties agree to waive the conditions precedent in writing to the extent permitted by law, the completion of the Agreement is subject to the following conditions precedent: –

- the transfer of the Equity Interest having been unanimously approved by the board of directors of Shanghai JV;
- the Company having completed the relevant disclosure requirement in relation to the transfer of the Equity Interest and the relevant matters under the Agreement in accordance with the Listing Rules;
- the Purchaser having obtained relevant approvals and documents in respect of the transfer of the Equity Interest pursuant to PRC law and its memorandum and articles of association;
- the Company having obtained the approval of the Board in respect of the transfer of the Equity Interest;
- Shanghai United Assets and Equity Exchange having issued a transaction certificate (交易證明) in respect of the transfer of the Equity Interest pursuant to PRC law;
- the parties to the Agreement and other relevant parties having executed all required contracts, agreements and relevant documents in respect of the transfer of the Equity Interest pursuant to PRC law; and
- the relevant PRC approval authority having issued approval documents and the new certificate of approval of Shanghai JV in respect of the transfer of the Equity Interest.

The conditions precedent shall be satisfied on or before 31st December 2006 or such other later date as the parties may agree. If any one of the conditions precedent shall not be satisfied on the date specified above, the Agreement will terminate automatically.

The terms of the Agreement were arrived at after arm's length negotiations between the parties. The consideration for the Equity Interest is determined by reference to (1) the book value of shareholders' equity of approximately RMB137.25 million (equivalent to approximately HK\$134.11 million) as stated on the audited financial statement of Shanghai JV as at 31st December 2005, as well as (2) the market value (including undistributed profits for the year of 2005) of Shanghai JV as at 31st December 2005 of RMB338 million (equivalent to approximately HK\$330.26 million) based on the valuation report dated 30th June 2006 prepared by an independent valuer appointed by the Company.

INFORMATION OF THE GROUP, SHANGHAI JV AND THE PURCHASER

The Group is principally engaged in ship trading and supplying services and its other business operation includes property investment and development.

Shanghai JV is principally engaged in the sales and manufacturing of marine coatings in the PRC market with its base of manufacturing in Shanghai. Shanghai JV also manufactures other kind of anti-corrosion paint. The Group is interested in 10% of the registered capital of Shanghai JV.

As at the date of this announcement, the Purchaser is interested in 29% of the registered capital of Shanghai JV. The principal activities of the Purchaser consist of sales and manufacturing of industrial coatings, decorative paints and marine coatings in the PRC market.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save and except that the Purchaser is a joint venture investor of Shanghai JV, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

FINANCIAL INFORMATION

The carrying book value of the Equity Interest to the Company was approximately HK\$15.02 million as at 31st December 2005. Based on the PRC audited accounts of Shanghai JV, the net asset value of Shanghai JV was approximately RMB137.25 million (equivalent to approximately HK\$134.11 million) as at 31st December 2005 and the net asset value of Shanghai JV attributable to the Equity Interest was approximately RMB13.73 million (equivalent to approximately HK\$13.42 million) as at 31st December 2005. The net profit before taxation of Shanghai JV attributable to the Equity Interest was approximately RMB8.96 million (equivalent to approximately HK\$8.75 million) and RMB10.07 million (equivalent to approximately HK\$9.84 million) for each of the two financial years ended 31st December 2005. The net profit after taxation of Shanghai JV attributable to the Equity Interest was approximately RMB7.56 million (equivalent to approximately HK\$7.39 million) and approximately RMB8.20 million (equivalent to approximately HK\$8.01 million) for each of the two financial years ended 31st December 2005.

REASONS AND BENEFITS FOR THE DISPOSAL

In recent years, the Company has been repositioning itself on ship trading and supplying business and has achieved a remarkable progress. After a series of acquisitions in establishing a coating supply platform, the Company currently holds 63.07% equity interest in each of 上海中遠關西塗料化工有限公司 (Shanghai COSCO Kansai Paint & Chemicals Co., Ltd.) and 天津中遠關西塗料化工有限公司 (Tianjin COSCO Kansai Paint & Chemicals Co., Ltd.), 64.71% equity interest in 珠海中遠關西塗料化工有限公司 (Zhuhai COSCO Kansai Paint & Chemicals Co., Ltd.) (collectively, "COSCO Kansai Companies") and 50% equity interest in 中遠佐敦船塢塗料(香港)有限公司 (Jotun COSCO Marine Coatings (HK) Limited) ("JCMC"). Under this platform, COSCO Kansai Companies are mainly responsible for the production and sales of container coatings and industrial anti-corrosion coatings, JCMC is mainly in charge of production and sales of marine coating products, whilst Shanghai JV is also engaged in marine coatings business. The Group expects that the ship building and repairing business in the PRC will continue to flourish in the years to come.

Although the Group believes that the performance of coatings business of Shanghai JV is satisfactory so far, it is difficult to align its interest in Shanghai JV with the Group's business strategy on the grounds that (1) there is direct competition between JCMC and Shanghai JV and (2) the Group does not have a majority interest and control in the board of directors of Shanghai JV.

The Board believes that the disposal of the Equity Interest will enable the Group to focus and strengthen its coatings business running by COSCO Kansai Companies and JCMC in its coating supply platform.

Based on the carrying value of the Equity Interest at 31st December 2005, the Company will obtain a gain of approximately HK\$23.09 million and a valuation surplus of approximately HK\$7.38 million will be released from investment revaluation reserve and credited to the income statement as a result of the transfer of the Equity Interest pursuant to the Agreement. The net proceeds are currently intended to be used by the Group for general working capital purpose.

The Directors consider that the terms of the Agreement are fair and reasonable and in the interest of the Shareholders as a whole.

The Equity Interest represents 10% of the registered capital of Shanghai JV held by the Group. The Equity Interest was acquired by the Group pursuant to a sale and purchase agreement dated 14th August 2003 at the consideration of RMB17.138 million (equivalent to approximately HK\$16.75 million). The acquisition of the Equity Interest by the Group was completed on 30th June 2004.

After completion of the Agreement, the Company will cease to have any interest in Shanghai JV.

GENERAL

As the applicable percentage ratios of the transactions contemplated under the Agreement exceed 5% but are below 25%, the Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. A circular containing further details on the Agreement will be despatched to the Shareholders as soon as practicable.

As at the date hereof, the Board comprises fourteen directors of which Messrs. Wei Jiafu (Chairman), Liu Guoyuan (Vice Chairman), Li Jianhong, Jia Lianjun, Wang Xiaoming, Liang Yanfeng (Managing Director), Meng Qinghui, Chen Xuewen, Lin Libing, Wang Xiaodong and Lin Wenjin are executive Directors; and Messrs. Chan Cheong Foon, Andrew, Kwong Che Keung, Gordon and Tsui Yiu Wa, Alec are independent non-executive Directors.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set opposite to them below:

"Agreement"	the agreement between the Company and the Purchaser in respect of the transfer of the Equity Interest dated 13th September 2006;
"Board" or "Directors"	the board of directors of the Company;
"China" or "PRC"	The People's Republic of China, for the purposes of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan region;
"Company"	COSCO International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange;
"connected person"	having the meaning ascribed to it under the Listing Rules;
"Equity Interest"	the entire 10% equity interest in Shanghai JV held by the Company;
"Group"	the Company and its subsidiaries;
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC;
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange;
"Purchaser"	上海塗料有限公司 (Shanghai Coatings Company Limited*), a limited liability company established in the PRC, being interested in 29% of the registered capital of Shanghai JV;
"Shanghai JV"	上海國際油漆有限公司 (International Paint of Shanghai Co., Ltd.*), being a sino-foreign equity joint venture enterprise established in the PRC;
"Shareholder(s)"	holder(s) of shares of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong;
"RMB"	Renminbi, the lawful currency of the PRC; and
"%"	per cent.

* for identification purpose only

Note: For illustration purpose of this announcement, save as otherwise stated herein, exchange rate of RMB1 = HK\$0.9771 has been used for conversion.

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

13th September 2006