

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in COSCO International Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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**COSCO International Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 0517)**

**CONNECTED AND DISCLOSEABLE TRANSACTION  
DISPOSAL OF SUBSIDIARY AND SHAREHOLDER'S LOAN**

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**



**CIMB-GK Securities (HK) Limited**

A letter from the Independent Board Committee is set out on page 10 of this circular.

A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the Agreement and the transactions contemplated thereunder is set out on pages 11 to 14 of this circular.

A notice convening the SGM to be held at 47th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong at 10:00 a.m. on 15 March 2007, Thursday or any adjournment thereof (as the case may be) is set out on pages 29 to 30 of this circular. Whether or not you are able to attend and/or vote at the SGM in person, you are requested to complete the enclosed form of proxy and return it to the Company's branch share registrar in Hong Kong, Abacus Share Registrars Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

26 February 2007

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## DEFINITIONS

*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Agreement”	the conditional sale and purchase agreement dated 5 February 2007 between COSCO BVI and COSCO HK Property in respect of the sale and purchase of the Sale Shares and the Shareholder’s Loan;
“Announcement”	the announcement issued by the Company dated 5 February 2007;
“associate(s)”	the meaning ascribed to it in the Listing Rules;
“Board” or “Director(s)”	the board of directors of the Company;
“Broadview Court”	Broadview Court, No. 11 Shum Wan Road, Hong Kong;
“Carparking Spaces”	the 194 carparking spaces at Broadview Court of which Century Metro is the registered and beneficial owner;
“Century Metro”	Century Metro Development Limited, a company incorporated in Hong Kong and a wholly owned subsidiary of COSCO Construction;
“Company”	COSCO International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange;
“Completion”	completion of the sale and purchase of the Sale Shares and the Shareholder’s Loan under the Agreement;
“connected person(s)”	the meaning ascribed to it in the Listing Rules;
“COSCO”	中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company <sup>#</sup> ), a company incorporated in the PRC and the ultimate holding company of the Company;
“COSCO BVI”	COSCO (B.V.I.) Holdings Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company;
“COSCO Construction”	COSCO International Construction Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company;
“COSCO Construction Group”	COSCO Construction and its subsidiaries;
“COSCO Group”	COSCO, COSCO (Hong Kong) Group Limited and their subsidiaries (other than the Group);
“COSCO HK Property”	COSCO (H.K.) Property Development Limited, a company incorporated in Hong Kong and a wholly owned subsidiary of COSCO (Hong Kong) Group Limited;
“COSCO Property Group”	COSCO HK Property, its subsidiaries, its holding companies and the subsidiaries of its holding companies but excluding the Group;

## DEFINITIONS

“Cut-off Date”	the date on which the condition of the Agreement is fulfilled;
“Existing Guarantees”	all existing corporate guarantees provided by the Company in respect of any liabilities of COSCO Construction Group;
“Further Advances”	further advances of shareholder’s loan from COSCO BVI to COSCO Construction in the amount of the relevant Operating Loss (if any) from 1 January 2007 up to and including the Cut-off Date;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	an independent board committee of the Company comprising Messrs. Chan Cheong Foon, Andrew, Kwong Che Keung, Gordon and Tsui Yiu Wa, Alec to advise the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder;
“Independent Financial Adviser”	CIMB-GK Securities (HK) Limited, being a licensed corporation to carry out types 1 (Dealing in Securities), 4 (Advising on Securities) and 6 (Advising on Corporate Finance) of the regulated activities as set out in Schedule 5 to the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder;
“Independent Shareholder(s)”	Shareholder(s) other than COSCO, COSCO (Hong Kong) Group Limited, COSCO HK Property and any of their respective associates;
“Latest Practicable Date”	21 February 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information included in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Operating Loss”	in respect of any period, the net loss (if any) incurred by COSCO Construction Group arising from the operating activities during that period and taking into account the tax liabilities incurred and the legal costs and damages recovered or paid by COSCO Construction Group for the litigation but (for avoidance of doubt) disregarding any change in valuation, any depreciation and amortization during that period;
“PRC”	the People’s Republic of China excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Sale Shares”	100 shares of US\$1.00 each in the issued share capital of COSCO Construction;

## DEFINITIONS

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGM”	the special general meeting of the Company to be held at 10:00 a.m. on 15 March 2007, Thursday at 47th Floor, COSCO Tower, 183 Queen’s Road Central, Hong Kong to approve the Agreement and the transactions contemplated thereunder, notice of which is set out on pages 29 to 30 of this circular;
“Shareholder(s)”	the holder(s) of the shares of the Company;
“Shareholder’s Loan”	(a) HK\$403,536,224.55, being all amounts, whether principal, interest or otherwise, owing by COSCO Construction to COSCO BVI as at 31 December 2006 and (b) the Further Advances;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Valuer”	Vigers Appraisal & Consulting Limited, a company incorporated in Hong Kong, an independent property valuer appointed by the Company who is not a connected person and is not connected with the directors, chief executives or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“RMB”	Renminbi, the lawful currency of the PRC;
“SGD”	Singapore dollars, the lawful currency of Singapore; and
“US\$”	United States dollars, the lawful currency of United States of America.

# *for identification purposes only*

*For the purpose of this circular and for reference only, the following exchange rates have been used for the conversion of (1) United States dollars into Hong Kong dollars: US\$1 = HK\$7.8073; (2) Renminbi into Hong Kong dollars: RMB1 = HK\$1.0038.*

## LETTER FROM THE BOARD



### **COSCO International Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 0517)**

***Executive Directors:***

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  
Mr. Lin Wenjin

***Registered Office:***

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

***Head Office and  
Principal Place of Business:***

47th Floor, COSCO Tower  
183 Queen's Road Central  
Hong Kong

***Independent Non-executive Directors:***

Mr. Chan Cheong Foon, Andrew  
Mr. Kwong Che Keung, Gordon  
Mr. Tsui Yiu Wa, Alec

*To the Shareholders*

26 February 2007

Dear Sir or Madam,

#### **CONNECTED AND DISCLOSEABLE TRANSACTION DISPOSAL OF SUBSIDIARY AND SHAREHOLDER'S LOAN**

#### **BACKGROUND**

Reference is made to the Announcement in which the Company announced that COSCO BVI, a wholly owned subsidiary of the Company, and COSCO HK Property had entered into the Agreement on 5 February 2007 pursuant to which COSCO BVI would sell the Sale Shares and the Shareholder's Loan to COSCO HK Property at the total consideration of HK\$2.00.

The Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules. COSCO HK Property is a wholly owned subsidiary of COSCO (Hong Kong) Group Limited. Being the ultimate holding company and the intermediate holding company of the Company respectively, COSCO and COSCO (Hong Kong) Group Limited together with their associates are connected persons of the Company. Therefore, the Agreement and the transactions contemplated thereunder also constitute a non-exempt connected transaction of the Company and are subject to the reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## LETTER FROM THE BOARD

The purpose of this circular is (i) to provide you with further information on the Agreement; (ii) to set out the valuation report of the Carparking Spaces; (iii) to set out the recommendation of the Independent Board Committee; (iv) to set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (v) to give the Shareholders the notice of the SGM and other information required by the Listing Rules.

### THE AGREEMENT

The principal terms of the Agreement are set out below:-

- Date:** 5 February 2007
- The Vendor:** COSCO BVI
- The Purchaser:** COSCO HK Property
- The Sale Shares:** 100 shares of US\$1.00 each representing the entire issued share capital of COSCO Construction
- The Shareholder's Loan:** (a) HK\$403,536,224.55, being all amounts, whether principal, interest or otherwise, owing by COSCO Construction to COSCO BVI as at 31 December 2006; and  
(b) the Further Advances.
- Consideration:** The total consideration for the Sale Shares and the Shareholder's Loan is HK\$2.00 which will be payable by COSCO HK Property to COSCO BVI in cash upon Completion.
- Condition Precedent:** Completion of the transactions contemplated under the Agreement is conditional on the passing of an ordinary resolution by the Independent Shareholders, as required by the Listing Rules, to approve the Agreement and the transactions contemplated thereunder on or before 30 June 2007 or such other date as the parties to the Agreement may otherwise agree.
- Therefore if the condition set out above shall not have been fulfilled by 30 June 2007 or such other date as agreed by the parties in writing, any party thereto shall be entitled to forthwith terminate the Agreement by notice in writing to the other party, whereupon the Agreement will terminate and cease to have effect.
- Completion Date:** Completion shall take place on the business day immediately after fulfillment of the condition or such other date as the parties may agree in writing.

It is a term of the Agreement that subject to Completion, COSCO HK Property shall procure that all the Existing Guarantees shall be absolutely released and discharged and (where necessary) replaced by such corporate guarantees given by such members of the COSCO Property Group as the respective beneficiaries of the Existing Guarantees may require as soon as practicable and unless and until such release and discharge, COSCO HK Property shall indemnify and keep indemnified the Company from and against all obligations, liabilities, demand, claims, proceedings, loss and damage which may be made against or suffered by and costs (including all legal costs), charges and expenses incurred by the Company in connection with or in consequence of the Existing Guarantees. An undertaking and indemnity in favour of the Company in this respect will be given by COSCO HK Property upon Completion.

## **LETTER FROM THE BOARD**

The Existing Guarantees include two performance guarantees given by the Company in respect of the contract works of a residential development at KIL 4013, To Kwa Wan, Kowloon and the extension and conversion works to existing schools – Group 3 under School Improvement Programme Phase IV Package 1 Architectural Services Department Contract No. AL J318 undertaken by COSCO Construction Group in favour of the respective employers who are third parties independent of the Company and its connected persons with an aggregate contract sum of approximately HK\$999 million and a guarantee of up to HK\$35 million given by the Company in favour of the Director of Housing for the due performance and observance of certain covenants given by Century Metro in relation to the development of Broadview Court.

COSCO BVI will bear the Operating Loss (if any) from 1 January 2007 up to and including the Cut-off Date by way of providing the Further Advances at such time(s) as COSCO Construction may require. COSCO HK Property will bear the Operating Loss (if any) from the date immediately following the Cut-off Date up to the Completion Date by way of making advances of loans to COSCO Construction in the amount of the relevant Operating Loss at such time(s) as COSCO Construction may require.

Upon Completion, the Group will cease to hold any shares in COSCO Construction and accordingly COSCO Construction will cease to be a subsidiary of the Company.

The consideration for the Sale Shares and the Shareholder's Loan was determined on the basis of the book value of assets and liabilities of COSCO Construction Group as at 31 December 2006 and after taking into account the market value of the Carparking Spaces of HK\$34,400,000 as at 31 December 2006 as compared to the book value thereof of HK\$11,080,725.

The Directors are of the view that the terms of the Agreement are on normal commercial terms and are fair and reasonable to the Company and in the interests of the Company and the Shareholders as a whole.

### **RELATIONSHIP BETWEEN THE COMPANY AND THE CONNECTED PERSONS**

COSCO HK Property is a wholly owned subsidiary of COSCO (Hong Kong) Group Limited. Being the ultimate holding company and intermediate holding company of the Company respectively, COSCO and COSCO (Hong Kong) Group Limited together with their associates are connected persons of the Company. The Agreement and the transactions contemplated thereunder constitute a non-exempt connected transaction of the Company.

### **INFORMATION OF COSCO CONSTRUCTION GROUP**

COSCO Construction Group is principally engaged in building construction, maintenance and property development. Century Metro is the registered and beneficial owner of the Carparking Spaces which are currently held for sale. Part of the Carparking Spaces is subject to monthly licences and the gross rental income from the Carparking Spaces was approximately HK\$646,000 for the year 2006.

## LETTER FROM THE BOARD

### FINANCIAL INFORMATION OF COSCO CONSTRUCTION GROUP

The following is the financial highlights of COSCO Construction Group:-

	<b>For the year ended 31 December 2004</b> <i>HK\$ '000</i>	<b>For the year ended 31 December 2005</b> <i>HK\$ '000</i>	<b>For the year ended 31 December 2006</b> <i>HK\$ '000</i> <small>(Note 2)</small>
Total assets value	153,480	69,019	108,352
Net liabilities <sup>(Note 3)</sup>	(485,927)	(429,420)	(403,580)
Profit/(loss) before taxation and extraordinary items	(38,324)	56,507	25,840
Profit/(loss) after taxation and extraordinary items	(38,324)	56,507	25,840

Notes:

- 1. The financial figures for each of the three financial years ended 31 December 2006 were based on the unaudited consolidated accounts of COSCO Construction which were prepared in accordance with accounting principles and practices generally accepted in Hong Kong.*
- 2. These financial figures are stated after adjustment for the market value of the Carparking Spaces of HK\$34,400,000 as at 31 December 2006.*
- 3. The net liabilities include the shareholder's loan of approximately HK\$427 million, HK\$389 million and HK\$404 million as at 31 December 2004, 2005 and 2006 respectively.*

Apart from the Carparking Spaces, the major assets of COSCO Construction Group as at 31 December 2006 were cash and bank balances, retention fee and other receivables.

### INFORMATION OF THE GROUP AND THE CONNECTED PERSONS

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

COSCO Group is one of the largest shipowners in the world and COSCO HK Property is principally engaged in project planning, project management, sales agency and property management.

### REASONS FOR AND BENEFITS OF THE TRANSACTION

The Company aims to position ship trading and supplying services as its strategic development as stated in its 2006 interim report and has no intention to further pursue the business of building construction undertaken by COSCO Construction Group. In fact, COSCO Construction Group has not tendered for any new construction job since 2005. In respect of the construction contracts in hand, all main construction works have been completed and COSCO Construction Group is now principally providing maintenance services for the defect liability period under those contracts. The total revenue contributed by COSCO Construction Group to the Group represented only 3.54% of the total revenue of the Group for the year ended 31 December 2005. Further, the Carparking Spaces owned by COSCO Construction Group are held for sale and are considered to be non-core assets of the Group. The Directors consider that the transaction represents an opportunity for the Group to dispose of its non-core business and assets and is in line with the business development strategy of the Group.

## **LETTER FROM THE BOARD**

### **FINANCIAL EFFECTS OF THE TRANSACTION ON THE GROUP**

Based on the net liabilities of COSCO Construction Group of approximately HK\$403,580,000 as at 31 December 2006 and the Shareholder's Loan of approximately HK\$403,536,000 as at 31 December 2006, the Group will obtain a gain of approximately HK\$44,000 upon Completion. Based on the financial position of COSCO Construction Group as at 31 December 2006, the consolidated assets and liabilities of the Group will decrease by HK\$108,352,000 and HK\$108,396,000 respectively upon Completion. The disposal of the Sale Shares and the Shareholder's Loan will not have material effect on the consolidated net asset value of the Company upon Completion.

### **IMPLICATIONS OF THE LISTING RULES**

The Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules. As COSCO and COSCO (Hong Kong) Group Limited together with their associates are connected persons of the Company, the Agreement and the transactions contemplated thereunder also constitute a non-exempt connected transaction of the Company and are subject to the reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The SGM will be convened for the Independent Shareholders to approve the Agreement and the transactions contemplated thereunder by poll.

In view of the interests of COSCO and COSCO (Hong Kong) Group Limited in the Company, COSCO, COSCO (Hong Kong) Group Limited and COSCO HK Property and their respective associates will abstain from voting in relation to the resolution to approve the Agreement and the transactions contemplated thereunder.

### **SGM**

There is set out on pages 29 to 30 of this circular a notice convening the SGM to be held at 47th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong at 10:00 a.m. on 15 March 2007, Thursday at which an ordinary resolution will be proposed for the approval by the Independent Shareholders by poll the Agreement and the transactions contemplated thereunder.

At the SGM, COSCO, COSCO (Hong Kong) Group Limited and their respective associates, holding in aggregate 829,360,511 ordinary shares of the Company, representing approximately 57.10% of the issued share capital of the Company as at the Latest Practicable Date, will abstain from voting in respect of the resolution to approve the Agreement and the transactions contemplated thereunder.

Whether or not you are able to attend the SGM in person, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Abacus Share Registrars Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong but in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. The completion of the enclosed proxy form will not preclude you from attending and voting at the SGM or any adjournment should you so wish.

In compliance with the Listing Rules, the votes to be taken at the SGM in respect of the Agreement and the transactions contemplated thereunder will be taken by poll, the results of which will be announced after the SGM.

## LETTER FROM THE BOARD

### PROCEDURES TO DEMAND A POLL BY SHAREHOLDERS

Under the bye-laws of the Company, a poll can be demanded at the SGM by:-

- (a) the chairman of the SGM; or
- (b) at least three members present in person (or in the case of a member being a corporation, by its duly authorised corporate representative) or by proxy for the time being entitled to vote at the SGM; or
- (c) any member or members present in person (or in the case of a member being a corporation, by its duly authorised corporate representative) or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the SGM; or
- (d) any member or members present in person (or in the case of a member being a corporation, by its duly authorised corporate representative) or by proxy and holding shares in the Company conferring a right to vote at the SGM being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

The Company will procure the chairman of the SGM to demand for voting by poll and Abacus Share Registrars Limited, the branch share registrar of the Company in Hong Kong, will serve as the scrutineer for the vote-taking.

### RECOMMENDATION

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. The Independent Board Committee therefore recommends the Independent Shareholders to vote in favour of the resolution to be proposed in the SGM to approve the Agreement and the transactions contemplated thereunder.

### ADDITIONAL INFORMATION

Your attention is drawn to the letters from the Independent Board Committee and from the Independent Financial Adviser which are respectively set out on page 10 and 11 to 14 of this circular. Additional information is also set out in the Appendices of this circular for your information.

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

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**



**COSCO International Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 0517)**

26 February 2007

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED AND DISCLOSEABLE TRANSACTION  
DISPOSAL OF SUBSIDIARY AND SHAREHOLDER'S LOAN**

We refer to the circular dated 26 February 2007 issued by the Company (the “**Circular**”) of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider the Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders as to the fairness and reasonableness of the same. The Independent Financial Adviser, CIMB-GK Securities (HK) Limited, has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

**RECOMMENDATION**

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 9 of the Circular, and the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder as set out on pages 11 to 14 of the Circular.

After taking into consideration the advice from the Independent Financial Adviser, we concur with the views of the Independent Financial Adviser and consider that the Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed in the SGM to approve the Agreement and the transactions contemplated thereunder.

Yours faithfully  
**Chan Cheong Foon, Andrew**  
**Kwong Che Keung, Gordon**  
**Tsui Yiu Wa, Alec**  
*Independent Board Committee*

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



25/F., Central Tower  
28 Queen's Road Central  
Hong Kong

26 February 2007

*To the Independent Board Committee and the Independent Shareholders of  
COSCO International Holdings Limited*

Dear Sirs,

### **CONNECTED TRANSACTION**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board as contained in the circular of the Company to the Shareholders dated 26 February 2007 (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

An independent board committee comprising Messrs. Chan Cheong Foon, Andrew, Kwong Che Keung, Gordon and Tsui Yiu Wa, Alec, being the independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to the Agreement. Any vote of the Independent Shareholders at the SGM shall be taken by poll. COSCO (Hong Kong) Group Limited with a material interest in the Agreement and its respective associates will abstain from voting in relation to the resolution approving the Agreement and the transactions contemplated thereunder.

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular. We have also assumed that the information and representations contained or referred to in the Circular were true and accurate at the time they were made and continue to be so at the date of the dispatch of the Circular. We consider that we have reviewed sufficient information and documents to satisfy ourselves that we have a reasonable basis to assess the fairness and reasonableness of the terms of the Agreement in order to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation.

We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company or any of its respective subsidiaries or associates.

<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b>
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## PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion on the Agreement, we have considered the following principal factors and reasons:

### Background and reasons

The Group is principally engaged in ship trading and supplying services and its other business operation includes property investment and development. The Agreement relates to the Group's disposal of the entire issued share capital of COSCO Construction and the Shareholder's Loan (including the Further Advances) owing by COSCO Construction to the Group. COSCO Construction Group is principally engaged in building construction, maintenance and property development. The financial highlights of the COSCO Construction Group are as follows:-

	<b>For the financial year ended 31 December 2004 (HK\$'000)</b>	<b>For the financial year ended 31 December 2005 (HK\$'000)</b>	<b>For the financial year ended 31 December 2006 (HK\$'000) (Note 2)</b>
Total assets value	153,480	69,019	108,352
Net liabilities <sup>(Note 3)</sup>	(485,927)	(429,420)	(403,580)
Profit/(loss) before taxation and extraordinary items	(38,324)	56,507	25,840
Profit/(loss) after taxation and extraordinary items	(38,324)	56,507	25,840

*Notes:*

1. *The financial figures for each of the three financial years ended 31 December 2006 were based on the unaudited consolidated accounts of COSCO Construction which were prepared in accordance with accounting principles and practices generally accepted in Hong Kong*
2. *These financial figures are stated after adjustment for the market value of the Carparking Spaces of HK\$34,400,000 as at 31 December 2006.*
3. *The net liabilities include the shareholder's loan of approximately HK\$427 million, HK\$389 million and HK\$404 million as at 31 December 2004, 2005 and 2006 respectively.*

We have been advised by the Company that the net profits of COSCO Construction Group for the two years ended 31 December 2006 included a write-back for the provision of certain construction contracts of approximately HK\$53.2 million in 2005 and a write-back of impairment loss on property held for sale of approximately HK\$23.3 million in 2006. We further noted that the major assets of COSCO Construction Group are the Carparking Spaces, which are held for sale, and cash and bank balances. The Directors advised that the Carparking Spaces are non-core assets of the Group and part of the Carparking Spaces is subject to monthly licences with a gross annual rental income generated therefrom amounted to approximately HK\$646,000 for the year ended 31 December 2006.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Directors consider that the Agreement represents an opportunity for the Group to dispose of its non-core business and assets and is in line with the business development strategy of the Group. We noted that the total revenue contributed by COSCO Construction Group to the Group represented approximately 3.54% of the total revenue of the Group for the year ended 31 December 2005. As further noted from the 2006 interim report of the Company, the Company aims to position ship trading and supplying services as its strategic development and has no intention to further pursue the business of building construction undertaken by COSCO Construction Group.

Having taken into account the above factors, we consider that the Agreement is in line with the stated business objective of the Company and will enable the Group to remain focus on its core business, and is in the interest of the Company and the Shareholders as a whole.

### *The consideration*

The total consideration (the "Consideration") for the Sale Shares and the Shareholder's Loan is HK\$2.00. We noted that the Consideration was determined after taking into account the adjusted book value of the assets (adjusted for the market value of the Carparking Spaces as at 31 December 2006) and liabilities of the COSCO Construction Group as at 31 December 2006 of approximately HK\$403.6 million. The Shareholder's Loan upon Completion will also include the Further Advances and the Directors advised that there has been no further advances as at the Latest Practicable Date.

As noted from the Letter from the Board, the COSCO Construction Group has not tendered for any new construction job since 2005, and the Directors advised that given this, the COSCO Construction Group does not intend to renew its construction licenses upon expiry. The Directors are of the view that given the existing level of operations and the winding down of the construction business of the COSCO Construction Group, the COSCO Construction Group will not be able to repay the Shareholder's Loan in the foreseeable future. We have been advised by the Company that in respect of the construction contracts on hand, all main construction works have been completed and the operations of COSCO Construction Group is now limited to principally providing maintenance services for the defect liability period under those contracts. The major liabilities of the COSCO Construction Group related to the payables and provisions under the construction contracts. We noted that the Existing Guarantees shall be released and discharged as soon as practicable after Completion. Furthermore, as elaborated above, the principal source of income of COSCO Construction Group is from the rental income generated from the Carparking Spaces (approximately HK\$646,000 for the year ended 31 December 2006) whilst the net profits of the COSCO Construction Group for the two years ended 31 December 2006 principally related to reversal of provisions and impairment loss.

Having taken into account the aforesaid circumstances, in particular the net liability position of COSCO Construction Group in recent years (even before taking account of the Shareholder's Loan), the existing level of business activities of COSCO Construction Group, the amount of Shareholder's Loan and the fact that the COSCO Construction Group is winding down its business and the Group has no intention to further pursue the building construction business, we concur with the views of the Directors that the COSCO Construction Group will not be able to repay the Shareholder's Loan in the foreseeable future. Accordingly, we consider the Consideration to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### POSSIBLE FINANCIAL EFFECT

#### *Net asset value and earnings*

The Company advised that the Company has made provisions on the Shareholder's Loan in the financial statements of the Company. Accordingly, based on the net liabilities of COSCO Construction Group and the Shareholder's Loan as at 31 December 2006, the Group would have recorded an estimated one-off gain of approximately HK\$44,000 upon Completion and the Disposal would not have material effect on the consolidated net asset value of the Company upon Completion.

#### *Working capital*

Given the Consideration of HK\$2.00, the Agreement will have no impact on the working capital position of the Group.

### RECOMMENDATION

Having considered the principal factors and reasons referred to the above, we consider that the Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole and the terms thereof are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee and the Independent Shareholders that the Independent Shareholders should vote in favour of the ordinary resolution to be proposed at the SGM to approve the Agreement and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of

**CIMB-GK Securities (HK) Limited**

**Alex Lau**

*Executive Vice President*

**Flavia Hung**

*Senior Vice President*

**Vigers Appraisal & Consulting Limited**  
*International Assets Appraisal Consultants*

10th Floor  
The Grande Building  
398 Kwun Tong Road  
Kowloon  
Hong Kong



26 February 2007

The Directors  
COSCO International Holdings Limited  
47/F, COSCO Tower  
183 Queen's Road Central  
Hong Kong

Dear Sirs,

**RE: Car parking Spaces Nos. E1-3 to E1-25, E1-28, E1-31 to E1-33, E1-35 to E1-51, E1-54 on Level 1, E2-1 to E2-26, E2-29 to E2-31, E2-33 to E2-53 on Level 2, E3-1, E3-4 to E3-7, E3-9 to E3-16, E3-21, E3-23 to E3-26, E3-29 to E3-31, E3-33 to E3-47, E3-49 to E3-50, E3-52 to E3-53 on Level 3, E4-1, E4-5 to E4-13, E4-17 to E4-19, E4-22 to E4-25, E4-27 to E4-47, E4-49 to E4-53 on Level 4, E5-14, E5-17, E5-21, E5-24 to E5-28, E5-34, E5-37, E5-40 to E5-44, E5-46 to E5-47 on Level 5, East Wing, Broadview Court, No. 11 Shum Wan Road, Hong Kong**

In accordance with your instructions for us to value the above property owned by COSCO International Holdings Limited (hereinafter referred to as the "Company") and its subsidiaries (hereinafter referred to as the "Group") located in the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong") for transaction reference purpose, we confirm that we have carried out an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property as at 31 December 2006 for the purpose of incorporation in the circular.

Our valuation is our opinion of the market value of the property interest which we would define market value as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

In valuing the property interest, direct comparison approach is adopted with reference to comparable transactions in the open market and on the basis of vacant possession.

Our valuations have been made on the assumption that the owner sells the property in the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which could serve to increase the value of the property. Furthermore, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property and no forced sale situation in any manner is assumed in our valuation.

We have not searched the original documents to verify ownership or to verify the existence of any lease amendments which do not appear on the copies handed to us. All documents and leases have been used for reference only. All dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Company and therefore only approximations.

We have relied to a considerable extent on information provided by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, occupancy, lettings, site and floor areas and in the identification of the property in which you have valid interest. We have also been advised by the Company that no material factors had been concealed or omitted in the information provided to us and we have independently verified the information provided by the Company.

We have inspected the exterior and, where possible, the interior of the property. However, no structural survey has been made and we are therefore unable to report whether the property is free from rot, infestation or any other structural defects, though in the course of our inspection we did not note any serious defects. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any of the property valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

In valuing the property interest, we have complied with the requirements set out in Chapter 5 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors (“HKIS”).

We enclosed herewith our valuation certificate.

Yours faithfully,  
For and on behalf of  
**VIGERS APPRAISAL & CONSULTING LIMITED**  
**Raymond Ho Kai Kwong**  
*Registered Professional Surveyor*  
MRICS MHKIS MSc(e-com)  
Executive Director

*Note:* Raymond K.K. Ho, Chartered Surveyor, MRICS MHKIS MSc(e-com) has over twenty years’ experience in undertaking valuations of properties in Hong Kong and has over thirteen years’ experience in the valuation of properties in the PRC. Mr Ho has been working with Vigers Group since 1989.

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of occupancy	Market Value as at 31 December 2006
Car parking Spaces Nos. E1-3 to E1-25, E1-28, E1-31 to E1-33, E1-35 to E1-51, E1-54 on Level 1, E2-1 to E2-26, E2-29 to E2-31, E2-33 to E2-53 on Level 2, E3-1, E3-4 to E3-7, E3-9 to E3-16, E3-21, E3-23 to E3-26, E3-29 to E3-31, E3-33 to E3-47, E3-49 to E3-50, E3-52 to E3-53 on Level 3, E4-1, E4-5 to E4-13, E4-17 to E4-19, E4-22 to E4-25, E4-27 to E4-47, E4-49 to E4-53 on Level 4, E5-14, E5-17, E5-21, E5-24 to E5-28, E5-34, E5-37, E5-40 to E5-44, E5-46 to E5-47 on Level 5, East Wing, Broadview Court No. 11 Shum Wan Road, Hong Kong	<p>The property comprises 194 car parking spaces of a 5-storey car parking building erected underneath of four high-rise residential buildings completed in 2001.</p> <p>The property is held under Conditions of Sale No. 12506 for a term of 50 years commencing from 10 December 1997. The annual government rent is at 3% of the prevailing rateable value of the property.</p>	According to the information provided by the Group, the property at present is leased out on a monthly term basis and is occupied for carparking use.	HK\$34,400,000

*Notes:*

1. According to the Land Register, the current registered owner of the property is Century Metro Development Limited.
2. According to an Occupation Permit (Permit No. NT38/2001), the property is completed in 2001.
3. According to the Conditions of Sale No. 12506, it has stated that:
  - (a) The owner may assign, underlet or otherwise dispose of any part or parts of any building or buildings erected on the lot which part or parts is or are designed and intended to be used exclusively for non-residential purposes but excluding any space to be provided in accordance with Special Condition Nos.: (51)(a), (51)(b), (51)(c) and (51)(e) of these Conditions provided that such part or parts shall not be assigned, underlet or otherwise disposed of (other than by way of a building mortgage of the type described in sub-clause (d) of this Special Condition) without the prior consent in writing of the Director of Lands before these Conditions have been complied with by the Purchaser as certified by the Director of Lands.
  - (b) Notwithstanding any provision to the contrary herein contained, the owner shall not assign, mortgage, charge (other than by way of a building mortgage of the type described in sub-clause (d) of this Special Condition) or otherwise dispose of the spaces for the parking of coaches provided in accordance with Special Condition No. (51)(d) hereof except as a whole.

- (c) Except with the prior written consent of the Director of Lands, the owner may not at any time assign, charge, mortgage, demise, underlet, part with possession, alienate or otherwise dispose of the parking spaces, any part thereof or any interest therein required to be provided in accordance with sub-clause (a)(i) of this Special Condition other than to the owners of residential units in the building or buildings erected or to be erected on the lot, provided however that the owner may charge the lot including, inter alia, the said parking spaces by way of an approved building mortgage in accordance with Special Condition No. (27)(d) hereof.
- 4. According to the information provided by the Group, COSCO International Holdings Limited is a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange.
- 5. According to the information provided by the Group, the property is leased out on monthly term basis and hourly basis. There were 17 car parking spaces leased out on monthly term basis as at 31 December 2006 and the occupancy rate was approximately 9%. Furthermore, the annual rental of the property was approximately HK\$646,000 from 1 January 2006 to 31 December 2006.

## 1. RESPONSIBILITY

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement contained herein misleading.

## 2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the “**Model Code**”) to be notified to the Company and the Stock Exchange were as follows:

### (i) Directors’ interest in share options granted by the Company

Name of Director	Exercise price (HK\$)	Number of share options as at 1 January 2007	Number of share options as at the Latest Practicable Date	Approximate percentage of issued share capital of the Company as at the Latest Practicable Date	Notes
Mr. Wei Jiafu	0.57	1,800,000	1,800,000	0.124%	(1), (3), (4)
	1.37	1,200,000	1,200,000	0.083%	(2), (3), (4)
Mr. Liu Guoyuan	0.57	1,800,000	1,800,000	0.124%	(1), (3), (4)
	1.37	1,200,000	1,200,000	0.083%	(2), (3), (4)
Mr. Li Jianhong	0.57	1,800,000	1,800,000	0.124%	(1), (3), (4)
	1.37	1,200,000	1,200,000	0.083%	(2), (3), (4)
Mr. Liang Yanfeng	0.57	1,200,000	1,200,000	0.083%	(1), (3), (4)
	Mr. Meng Qinghui	0.57	1,200,000	1,200,000	0.083%
Mr. Lin Libing		1.37	800,000	800,000	0.055%
	Mr. Wang Xiaodong	0.57	1,200,000	1,200,000	0.083%
Mr. Lin Wenjin		1.37	800,000	800,000	0.055%
		0.57	800,000	800,000	0.055%
		1.37	500,000	500,000	0.034%

Notes:

- (1) Pursuant to the share option scheme of the Company adopted on 17 May 2002 with amendments approved by the Shareholders at the special general meeting held on 5 May 2005 (the “Share Option Scheme”), these share options were granted on 26 November 2003 and are exercisable at HK\$0.57 per Share at any time between 23 December 2003 and 22 December 2008.

- (2) These share options were granted on 2 December 2004 pursuant to the Share Option Scheme and are exercisable at HK\$1.37 per Share at any time between 29 December 2004 and 28 December 2014.
- (3) These share options represent personal interest held by the relevant participant as beneficial owner.
- (4) From 1 January 2007 to the Latest Practicable Date, none of the share options of the above Directors were cancelled or lapsed.

**(ii) Long positions in shares of associated corporations**

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Nature of interest and capacity</b>	<b>Total number of shares held as at the Latest Practicable Date</b>	<b>Approximate percentage of issued share capital of the associated corporation as at the Latest Practicable Date</b>	
Mr. Wei Jiafu	COSCO Corporation (Singapore) Limited (“COSCO SGP”)	Beneficial owner	1,900,000	0.086%	Note
Mr. Li Jianhong	COSCO SGP	Beneficial owner	1,300,000	0.059%	Note
Mr. Kwong Che Keung, Gordon	COSCO Pacific Limited (“COSCO Pacific”)	Beneficial owner	250,000	0.011%	

*Note:* Adjustment was made as a result of the approval of the sub-division of every 1 ordinary share of SGD0.2 each divided into 2 ordinary shares of SGD0.1 each by shareholders of COSCO SGP at the extraordinary general meeting held on 17 January 2006.

## (iii) Directors' interest in share options granted by associated corporations

Name of Director	Name of associated corporation	Exercise price	Number of share options as at 1 January 2007	Number of share options as at the Latest Practicable Date	Approximate percentage of issued share capital of the associated corporation as at the Latest Practicable Date	Exercisable period	Notes
Mr. Wei Jiafu	COSCO Pacific	HK\$9.54	400,000	-	-	30.10.2003-29.10.2013	(1),(4),(5)
	COSCO Pacific	HK\$13.75	1,000,000	1,000,000	0.045%	03.12.2004-02.12.2014	(2),(4),(5)
	COSCO SGP	SGD1.23	1,100,000	1,100,000	0.050%	21.02.2007-20.02.2011	(3),(4),(5)
Mr. Li Jianhong	COSCO Pacific	HK\$9.54	300,000	-	-	29.10.2003-28.10.2013	(1),(4),(5)
	COSCO Pacific	HK\$13.75	1,000,000	1,000,000	0.045%	02.12.2004-01.12.2014	(2),(4),(5)
	COSCO SGP	SGD1.23	700,000	700,000	0.032%	21.02.2007-20.02.2011	(3),(4),(5)
Mr. Meng Qinghui	COSCO Pacific	HK\$13.75	700,000	700,000	0.031%	29.11.2004-28.11.2014	(2),(4),(5)
Mr. Lin Wenjin	COSCO Pacific	HK\$13.75	100,000	-	-	01.12.2004-30.11.2014	(2),(4),(5)

*Notes:*

- (1) Pursuant to the share option scheme of COSCO Pacific (“**Share Option Scheme of COSCO Pacific**”), an associated corporation of the Company, adopted on 23 May 2003, these share options were granted during the period from 28 October 2003 to 6 November 2003 and are exercisable at HK\$9.54 per share at any time within ten years from their respective date on which an offer is accepted or deemed to be accepted.
- (2) These share options were granted pursuant to the Share Option Scheme of COSCO Pacific, during the period from 25 November 2004 to 16 December 2004 and are exercisable at HK\$13.75 per share at any time within ten years from their respective date on which an offer is accepted or deemed to be accepted.
- (3) These share options were granted by COSCO SGP on 21 February 2006.
- (4) These share options represent personal interest held by the relevant participant as beneficial owner.
- (5) From 1 January 2007 to the Latest Practicable Date, none of the share options of the above Directors were cancelled or lapsed.

## (iv) Directors' interest in share appreciation rights granted by associated corporation

Name of Director	Name of associated corporation	Exercise Price (HK\$)	Number of units as at 1 January 2007	Number of units as at the Latest Practicable Date	Percentage of total issued share capital of H share as at the Latest Practicable Date	Notes
Mr. Wei Jiafu	China COSCO Holdings Company Limited ("China COSCO")	3.195	900,000	900,000	0.040%	(1), (3), (4)
		3.588	900,000	900,000	0.040%	(2), (3), (4)
Mr. Liu Guoyuan	China COSCO	3.195	600,000	-	-	(1), (3), (4)
Mr. Li Jianhong	China COSCO	3.195	600,000	600,000	0.027%	(1), (3), (4)
		3.588	600,000	600,000	0.027%	(2), (3), (4)
Mr. Jia Lianjun	China COSCO	3.195	75,000	75,000	0.003%	(1), (3), (4)
		3.588	65,000	65,000	0.003%	(2), (3), (4)

*Notes:*

- (1) These share appreciation rights were granted by China COSCO ("Share Appreciation Rights") in units with each unit representing one H share of China COSCO, on 16 December 2005 pursuant to the share appreciation rights plan adopted by China COSCO (the "Plan"). Under the Plan, no shares will be issued. The Share Appreciation Rights can be exercised at HK\$3.195 per unit at any time between 16 December 2007 and 15 December 2015.
- (2) These Share Appreciation Rights were granted in units with each unit representing one H share of China COSCO on 5 October 2006 pursuant to the Plan. Under the Plan, no shares will be issued. The Share Appreciation Rights can be exercised at HK\$3.588 per unit according to its terms between 5 October 2006 and 4 October 2016.
- (3) These Share Appreciation Rights represent personal interest held by the relevant participant as beneficial owner.
- (4) From 1 January 2007 to the Latest Practicable Date, none of the Share Appreciation Rights of the above Directors were cancelled or lapsed.

Save as disclosed herein, as at the Latest Practicable Date :

- (i) none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or were required pursuant to the Model Code to be notified to the Company and the Stock Exchange;

- (ii) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group taken as a whole; and
- (iii) none of the Directors had any direct or indirect interest in any assets acquired or disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, the Company or any of its subsidiaries since 31 December 2005, the date up to which the latest published audited accounts of the Group were made.

### 3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or the chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

#### (i) Long positions in shares of the Company

Name	Capacity	Number of shares	Percentage of issued share capital of the Company as at the Latest Practicable Date
COSCO	Controlled corporation <sup>(Note)</sup>	829,360,511	57.10%
COSCO (Hong Kong) Group Limited	Controlled corporation <sup>(Note)</sup>	829,360,511	57.10%
True Smart International Limited ("True Smart")	Beneficial owner <sup>(Note)</sup>	829,360,511	57.10%

*Note:* Since True Smart is a wholly owned subsidiary of COSCO (Hong Kong) Group Limited which is in turn a wholly owned subsidiary of COSCO, the interests of True Smart are deemed to be the interests of COSCO (Hong Kong) Group Limited and in turn the interests of COSCO (Hong Kong) Group Limited are deemed to be the interests of COSCO under the SFO. Mr. Wei Jiafu, Mr. Liu Guoyuan, Mr. Jia Lianjun and Mr. Wang Xiaoming, Directors of the Company, are also directors of COSCO (Hong Kong) Group Limited.

## (ii) Long positions in shares of the subsidiaries of the Company

Name of subsidiary of the Company	Name of substantial shareholder	Interest in share capital/equity interest	Percentage of issued share capital of the subsidiary of the Company
Cash Rich Enterprises Limited	Dragon Eagle Investments Limited	1,415 ordinary shares	14.15%
COSCO International Ship Trading Company Limited	中遠國際貿易公司 (COSCO International Trading Company*)	200,000 ordinary shares	40.00%
New Central International Enterprises Co., Ltd.	COSCO (H.K.) Industry & Trade Holdings Ltd.	100,000 ordinary shares	10.00%
Shanghai COSCO Honour Property Development Limited	Dragon Eagle Investments Limited	<i>Note</i>	14.00%
Shenyang COSCO Yihe Property Development Co., Ltd.	廣州遠洋建設實業公司 (COSCO Guangzhou Construction Industry Company*)	registered capital of RMB29,000,000 (equivalent to approximately HK\$29,110,200)	29.00%
Shenyang COSCO Yihe Property Development Co., Ltd.	廣州頤和投資發展有限公司 (Guangzhou Yihe Investment & Development Co., Ltd.*)	registered capital of RMB20,000,000 (equivalent to approximately HK\$20,076,000)	20.00%
Shanghai COSCO Kansai Paint & Chemicals Co., Ltd.	Kansai Paint Co., Ltd.	registered capital of US\$2,470,300 (equivalent to approximately HK\$19,286,373)	35.29%
Tianjin COSCO Kansai Paint & Chemicals Co., Ltd.	Kansai Paint Co., Ltd.	registered capital of US\$1,764,500 (equivalent to approximately HK\$13,775,980)	35.29%

Name of subsidiary of the Company	Name of substantial shareholder	Interest in share capital/equity interest	Percentage of issued share capital of the subsidiary of the Company
珠海中遠關西塗料化工有限公司 (Zhuhai COSCO Kansai Paint & Chemicals Co., Ltd.*)	Kansai Paint Co., Ltd.	registered capital of US\$2,011,530 (equivalent to approximately HK\$15,704,618)	35.29%
深圳中遠保險經紀有限公司 (Shenzhen COSCO Insurance Brokers Limited*)	深圳遠洋運輸股份有限公司 (Shenzhen Ocean Shipping Co., Ltd.*)	registered capital of RMB2,250,000 (equivalent to HK\$2,258,550)	45.00%

\* *for identification purposes only*

*Note:* Dragon Eagle Investments Limited is indirectly interested in approximately 14% equity interest of Shanghai COSCO Honour Property Development Limited through its 14.15% interest in Cash Rich Enterprises Limited, which owns 99% equity interest in Shanghai COSCO Honour Property Development Limited.

Save as disclosed herein, as at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, no persons (other than a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

#### 4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract or a proposed service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## 5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, the following Directors (including their respective associates) were considered to have interests in businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules, particulars of which are set out below:

<b>Name of Director</b>	<b>Name of the entities which were considered to compete or likely to compete with the businesses of the Group</b>	<b>Description of businesses of the entities which were considered to compete or likely to compete with the businesses of the Group</b>	<b>Nature of Director's interest in the entity</b>
Mr. Wei Jiafu	Companies controlled by COSCO	- Property investment and development - Ship trading and supplying services	director
Mr. Liu Guoyuan	COSCO (Hong Kong) Group Limited and its associated companies	- Property investment and development - Ship trading and supplying services	director
Mr. Li Jianhong	Companies controlled by COSCO	- Property investment and development - Ship trading and supplying services	director
Mr. Jia Lianjun	Companies controlled by COSCO	- Property investment and development - Ship trading and supplying services	director
Mr. Wang Xiaoming	COSCO (Hong Kong) Group Limited and its associated companies	- Property investment and development - Ship trading and supplying services	director
Mr. Liang Yanfeng	Soundwill Holdings Limited	- Property investment and development	non-executive vice-chairman
Mr. Meng Qinghui	Soundwill Holdings Limited	- Property investment and development	non-executive director
Mr. Chen Xuewen	Companies controlled by COSCO (Hong Kong) Group Limited	- Property investment and development - Ship trading and supplying services	director

As the Board is independent from the board of directors of the aforesaid companies, and as none of the above Directors control the Board, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of these companies.

Save as disclosed herein, none of the Directors and their respective associates had any interest in a business which competes or may compete with the business of the Group.

#### 6. MATERIAL ADVERSE CHANGE

The Directors confirmed that there was no material adverse change in the financial or trading positions of the Group since 31 December 2005, being the date up to which the latest published audited financial statements of the Group were made.

#### 7. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claim of material importance and there was no litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

#### 8. EXPERTS AND CONSENTS

The following is the qualification of the experts who have given their opinions or advice which are contained in this circular.

Name	Qualification
Vigers Appraisal & Consulting Limited	Professional surveyors and valuer
CIMB-GK Securities (HK) Limited	a licensed corporation to carry out types 1 (Dealing in Securities), 4 (Advising on Securities) and 6 (Advising on Corporate Finance) of the regulated activities as set out in Schedule 5 to the SFO

As at the Latest Practicable Date, each of the Valuer and the Independent Financial Adviser:-

- (a) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (b) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2005, being the date up to which the latest published financial statements of the Group were made; and
- (c) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of and references to its name, letter and/or report in the form and context in which they respectively appear.

The valuation certificate given by the Valuer were made on 26 February 2007 and the letter of advice given by the Independent Financial Adviser to the Independent Board Committee was made on 26 February 2007 for incorporation in this circular.

**9. MISCELLANEOUS**

- (i) The company secretary of the Company is Ms. Chiu Shui Suet, a qualified solicitor in Hong Kong and a fellow member of both The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries.
- (ii) The qualified accountant of the Company is Mr. Lo Siu Leung Tony, a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.
- (iii) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
- (iv) The head office of the Company in Hong Kong is at 47th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong and the transfer office of the Company in Hong Kong is Abacus Share Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (v) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copy of the following documents are available for inspection at the office of Messrs. Sit, Fung, Kwong & Shum, 18th Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong, during normal business hours on any day up to and including the date of the SGM :-

- (i) the Agreement;
- (ii) letter from the Independent Board Committee dated 26 February 2007;
- (iii) letter from the Independent Financial Adviser dated 26 February 2007;
- (iv) valuation certificate prepared by the Valuer, the text of which is set out in Appendix I of this circular; and
- (v) written consents from the Valuer and the Independent Financial Adviser referred to in paragraph 8 headed "Experts and Consents" above.

## NOTICE OF THE SGM



### **COSCO International Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 0517)**

**NOTICE IS HEREBY GIVEN** that a special general meeting of COSCO International Holdings Limited (the “**Company**”) will be held at 10:00 a.m. on 15 March 2007, Thursday at 47th Floor, COSCO Tower, 183 Queen’s Road Central, Hong Kong or at any adjournment thereof for the purpose of considering and, if thought fit, passing the following resolution, with or without amendments, as an ordinary resolution of the Company:

#### **ORDINARY RESOLUTION**

“**THAT** the Agreement as defined and described in the circular of the Company dated 26 February 2007 (the “**Circular**”), a copy of the Agreement marked “A” together with a copy of the Circular marked “B” being tabled before the meeting and initialled by the chairman of the meeting for identification purpose, and all transactions contemplated thereunder and in connection therewith, be and are hereby approved, ratified and confirmed and any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such other documents and agreements and to do all such acts or things deemed by him to be incidental to, ancillary to or in connection with the matters contemplated under the Agreement.”

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

Hong Kong, 26 February 2007

#### *Notes:*

1. The ordinary resolution to be considered at the meeting will be decided by poll. On voting by poll, each member shall have one vote for each share held in the Company.
2. A member entitled to attend and vote at the meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy. A proxy need not be a member of the Company.
3. A form of proxy for use at the special general meeting is enclosed herewith.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

## NOTICE OF THE SGM

5. To be valid, the proxy form, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof must be lodged at the Company's branch share registrar in Hong Kong, Abacus Share Registrars Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjourned meeting thereof (as the case maybe) and in default thereof the proxy form and such power or authority shall not be treated as valid.
6. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
7. Where there are joint holders of any share of the Company, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of the Company in respect of such share shall alone be entitled to vote in respect thereof.
8. 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.