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## **COSCO International Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 0517)**

### **DISCLOSEABLE AND CONNECTED TRANSACTION — DISPOSAL OF ENTIRE ISSUED SHARE CAPITAL OF AND SHAREHOLDER'S LOAN TO SUCCESS GATE INVESTMENTS LIMITED**

On 24 August 2007, the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser pursuant to which the Vendor agreed to sell the Sale Shares and the Shareholder's Loan to the Purchaser at a total consideration of RMB55,667,000 (equivalent to approximately HK\$57,521,000).

Success Gate is an investment holding company holding 51% interest in SY COSCO Yihe. SY COSCO Yihe is the developer of the real estate development project "COSCO Yihe Garden" and the owner of the Properties.

Prior to Completion, SY COSCO Yihe is an indirect non wholly-owned subsidiary of the Company and is owned as to 51% by the Company through Success Gate, 29% by COSCO through GZ Construction and 20% by GZ Yihe. As the Disposal involves the disposal of the Company's indirect interest in SY COSCO Yihe where a substantial shareholder of SY COSCO Yihe (namely, GZ Construction) is an associate of a controller of the Company (namely, COSCO), under the Listing Rules, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the aggregate consideration involved for the Disposal represents more than 5% but less than 25% under the applicable percentage ratios under Chapter 14 of the Listing Rules, the Disposal also constitutes a discloseable transaction of the Company. The Disposal will therefore be subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

The SGM will be convened for the Independent Shareholders to approve the Agreement and the transactions contemplated thereunder by poll. The Purchaser, COSCO and their respective associates will abstain from voting on the resolution to approve the Agreement and the transactions contemplated thereunder.

A circular containing, inter alia, (a) further particulars relating to the Disposal, (b) the letter of advice from the independent financial adviser to the Independent Board Committee and Independent Shareholders; (c) the recommendation from the Independent Board Committee; (d) certain financial information as required under the Listing Rules; (e) a valuation report on the Properties; and (f) a notice of the SGM will be despatched to the Shareholders as soon as practicable.

## **THE AGREEMENT**

On 24 August 2007, the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser pursuant to which the Vendor agreed to sell the Sale Shares and the Shareholder's Loan to the Purchaser at a total consideration of RMB55,667,000 (equivalent to approximately HK\$57,521,000). The principal terms of the Agreement are set out below:–

**Date:** 24 August 2007

**The Vendor:** Top Elegant Investments Limited

**The Purchaser:** Long Sen Investments (Hong Kong) Limited

The Company has been informed by the Purchaser that the shareholders of the Purchaser indirectly own 25% interest in two non wholly-owned subsidiaries of GZ Yihe and 50% interest in a company in which GZ Yihe owns the remaining 50% interest. Further, one of the ultimate owners of the Purchaser is a director of these three companies in which GZ Yihe has interest. However, the Purchaser is not a connected person of the Company for the purpose of the Listing Rules by virtue of the above relationship between the Purchaser and GZ Yihe and, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

**The Sale Shares:** Two shares of HK\$1.00 each, representing the entire issued share capital of Success Gate.

**The Shareholder's Loan:** All amounts, whether principal or interest, owing by Success Gate to the Vendor as at Completion. As at the date of the Agreement, the amount of the Shareholder's Loan is approximately HK\$39,112,000.

**Consideration:** The total consideration of the Sale Shares and the Shareholder's Loan is RMB55,667,000 (equivalent to approximately HK\$57,521,000), of which HK\$39,112,000 will be the consideration for the Shareholder's Loan and the remaining amount will be the consideration for the Sale Shares.

**Terms of Payment:**

- (a) Upon execution of the Agreement, a sum of RMB2,783,350 (equivalent to approximately HK\$2,867,000, calculated at the exchange rate as quoted by the People's Bank of China on the business day prior to the date of the Agreement) has been paid in cash by the Purchaser to the Vendor as deposit (the "**Deposit**"); and
- (b) the balance of the consideration shall be paid in cash by the Purchaser to the Vendor at Completion.

The above consideration shall be payable by the Purchaser to the Vendor in their respective HK\$ or US\$ equivalent (calculated at the exchange rate as quoted by the People's Bank of China on the business day prior to the date of payment).

**Condition Precedent:**

Completion of the transactions contemplated under the Agreement is conditional on the passing of an ordinary resolution by the Independent Shareholders to approve the Agreement and the transactions contemplated thereunder or, (if acceptable to the Stock Exchange) in lieu of holding such general meeting, a written shareholders' approval from a Shareholder or a closely allied group of Shareholders who together hold more than 50% in nominal value of the Shares in a manner as required under the Listing Rules, on or before the Long Stop Date.

If the condition set out above shall not have been fulfilled by the Long Stop Date:–

- (i) any party thereto shall be entitled to forthwith terminate the Agreement by notice in writing to the other party whereupon the Agreement shall be null and void and of no effect save for any antecedent breach by any party; and
- (ii) the Deposit paid by the Purchaser shall be refunded by the Vendor to the Purchaser within 10 business days from the issue of termination notice.

**Completion Date:**

Completion shall take place on or before the 30th business day after fulfillment of the condition or such later date as the parties may agree in writing.

If the Purchaser fails to pay the balance of the consideration to the Vendor after the 30th business day after the fulfillment of the condition (the "**Target Completion Date**"), compound interest which shall accrue on a daily basis at a rate of 1% per month shall be charged on the outstanding balance of the consideration, and if the Purchaser is still unable to settle the balance of the consideration, together with the interest accrued thereon, within 15 days after the Target Completion Date, the Vendor shall have the right to terminate the Agreement by notice in writing to the Purchaser and forfeit the Deposit.

Upon Completion, the Group will cease to hold any shares in Success Gate and accordingly Success Gate and SY COSCO Yihe each will cease to be a subsidiary of the Company.

The consideration for the Sale Shares and the Shareholder's Loan was arrived at after arm's length negotiations between the parties and was determined with reference to:–

- (a) the sum of the net asset value of the SG Group and the amount owing by Success Gate to the Vendor as shown in the unaudited consolidated accounts of the SG Group as at 30 June 2007 prepared in accordance to the accounting principles and practices generally accepted in Hong Kong; and
- (b) the net valuation surplus of approximately HK\$7,090,000 (which has not been reflected in the unaudited consolidated accounts of the SG Group as at 30 June 2007) arising on the closing stocks of the SG Group based on the indicative market value of the Properties of RMB211,970,000 as at 30 June 2007 as provided by an independent professional valuer appointed by the Company, whose valuation report will be included in the circular to be despatched to the Shareholders.

## INFORMATION OF THE SG GROUP

Success Gate is an investment holding company holding 51% interest in SY COSCO Yihe. SY COSCO Yihe is the developer of the real estate development project "COSCO Yihe Garden" and the owner of the Properties. The principal assets of the SG Group are its interests in the Properties.

The Properties comprise the remaining commercial and residential units and carparking spaces in "COSCO Yihe Garden" which is located at the south west of the junction between Cong Shan Dong Road and Liu Tiao Hu Street, Yu Hong District, Shenyang, Liao Ning Province, the PRC. Presale of the units in "COSCO Yihe Garden" commenced in the second quarter of 2004. As at 30 June 2007, there are remaining approximately 35 units of shop, 82 units of storage, 393 residential units and 230 carparking spaces (of which 5 units of shop, 3 units of storage, 269 residential units and 36 carparking spaces are subject to various sale and purchase agreements with purchasers). Subsequent to 30 June 2007, completion of the sale of certain of these units has taken place pursuant to the relevant sale and purchase agreements and further sale and purchase agreements have been entered into in respect of part of the remaining units. The remaining units which are not subject to any sale and purchase agreement are currently offered for sale or lease.

The financial highlights of the SG Group are set out below:–

	<b>For the six months ended 30 June 2007 (HK\$'000)</b>	<b>For the year ended 31 December 2006 (HK\$'000)</b>	<b>For the year ended 31 December 2005 (HK\$'000)</b>
<b>Total assets value</b>	270,491	321,250	221,000
<b>Net assets</b>	14,394	14,729	2,622
<b>Profit before taxation</b>	263	27,251	3,111
<b>(Loss)/profit after taxation</b>	(2,226)	9,298	471

*Note:* The financial figures for the six months ended 30 June 2007 and each of the two financial years ended 31 December 2006 were based on the unaudited consolidated accounts of the SG Group which were prepared in accordance with accounting principles and practices generally accepted in Hong Kong.

## **INFORMATION OF THE GROUP AND THE PURCHASER**

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

The Purchaser is an investment holding company for holding its interest in Success Gate upon Completion.

## **REASONS AND BENEFITS FOR THE DISPOSAL**

In line with the Company's strategy, the Group intends to focus on its core business of ship trading and supplying services. In addition, along with the further acquisition of shares of SORED which was completed in December 2006 (the acquisition of which is disclosed in the Company's announcement and circular dated 22 August 2006 and 3 October 2006 respectively), the Company intends that it will carry on its property development business in the PRC through its investment interest in SORED (which is now owned as to 30.8% by the Group). The Directors consider that the Disposal is a good opportunity for the Group to realise its investment in SY COSCO Yihe.

The Company estimates that the expected gain of the Disposal to the Group is approximately HK\$2,008,000 based on the net assets of the SG Group of approximately HK\$14,394,000 as at 30 June 2007, net valuation surplus (as referred to in the last paragraph of the section headed "The Agreement" above), realisation of exchange reserves upon the Disposal, estimated transaction costs and the book value of the amount owing by Success Gate to the Vendor of approximately HK\$39,112,000 as at the date hereof. The Company intends to use the net proceeds (after deducting relevant expenses in connection with the Disposal) for general working capital purpose and to fund any potential business opportunities available to the Group in future. Pending the use for these purposes, the Directors intend to place the net proceeds of the Disposal on bank deposit.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser) 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.

## **IMPLICATIONS UNDER THE LISTING RULES**

Prior to Completion, SY COSCO Yihe is an indirect non wholly-owned subsidiary of the Company and is owned as to 51% by the Company through Success Gate, 29% by COSCO through GZ Construction and 20% by GZ Yihe. As the Disposal involves the disposal of the Company's indirect interest in SY COSCO Yihe where a substantial shareholder of SY COSCO Yihe (namely, GZ Construction) is an associate of a controller of the Company (namely, COSCO), under the Listing Rules, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the aggregate consideration involved for the Disposal represents more than 5% but less than 25% under the applicable percentage ratios under Chapter 14 of the Listing Rules, the Disposal also constitutes a discloseable transaction of the Company. The Disposal will therefore be subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

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A circular containing, inter alia, (a) further particulars relating to the Disposal, (b) the letter of advice from the independent financial adviser to the Independent Board Committee and Independent Shareholders; (c) the recommendation from the Independent Board Committee; (d) certain financial information as required under the Listing Rules; (e) a valuation report on the Properties; and (f) a notice of the SGM will be despatched to the Shareholders as soon as practicable.

The Board comprises fifteen Directors with Mr. Wei Jiafu (Chairman), Mr. Liu Guoyuan (Vice Chairman), Mr. Li Jianhong, Mr. Wang Futian, Mr. Jia Lianjun, Mr. Wang Xiaoming, Mr. Liang Yanfeng (Managing Director), Mr. Meng Qinghui, Mr. Chen Xuwen, Mr. Lin Libing, Mr. Wang Xiaodong, Mr. Lin Wenjin as executive Directors and Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec and Mr. Jiang, Simon X. as 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 conditional sale and purchase agreement dated 24 August 2007 between the Vendor and the Purchaser in respect of the Disposal;
“associate”	the meaning ascribed to it in the Listing Rules;
“Board” or “Directors”	the board of directors of the Company;
“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 pursuant to the terms of the Agreement;
“connected person”	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 Yihe Garden”	“COSCO Yihe Garden” also known as COSCO Summer Palace, a real estate development project developed by SY COSCO Yihe which is located at the south west of the junction between Cong Shan Dong Road and Liu Tiao Hu Street, Yu Hong District, Shenyang, Liao Ning Province, the PRC;

“Disposal”	the disposal of the Sale Shares and the Shareholder’s Loan by the Vendor to the Purchaser pursuant to the terms of the Agreement;
“Group”	the Company and its subsidiaries;
“GZ Construction”	廣州遠洋建設實業公司 (COSCO Guangzhou Construction Industry Company <sup>#</sup> ), a company incorporated in the PRC and a wholly-owned subsidiary of COSCO, being interested as to 29% in SY COSCO Yihe;
“GZ Yihe”	廣州頤和集團有限公司 (Guangzhou Yihe Group Co., Ltd. <sup>#</sup> ), a company incorporated in the PRC and interested as to 20% in SY COSCO Yihe;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	the independent board committee of the Company;
“Independent Shareholder(s)”	Shareholders other than the Purchaser, COSCO and their respective associates;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	30 November 2007 or such other date as the parties may agree;
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Properties”	the remaining commercial and residential units and carparking spaces in “COSCO Yihe Garden”, a real estate development project developed by SY COSCO Yihe which is located at the south west of the junction between Cong Shan Dong Road and Liu Tiao Hu Street, Yu Hong District, Shenyang, Liao Ning Province, the PRC;
“Purchaser”	Long Sen Investments (Hong Kong) Limited, a company incorporated in Hong Kong, which and the ultimate beneficial owner(s) of which are third parties independent of the Company and its connected persons (as defined in the Listing Rules);
“Sale Shares”	two shares of HK\$1.00 each representing the entire issued share capital of Success Gate;

“SG Group”	Success Gate and its subsidiary;
“SGM”	the special general meeting of the Company to be held to approve the Agreement and the transactions contemplated thereunder;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	the holder(s) of the Shares;
“Shareholder’s Loan”	all amounts, whether principal or interest, owing by Success Gate to the Vendor as at Completion;
“SORED”	遠洋地產有限公司 (Sino-Ocean Land Limited) formerly known as 中遠房地產開發有限公司 (Sino Ocean Real Estate Development Co., Ltd.), a company incorporated in the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	the meaning ascribed to it in the Listing Rules;
“Success Gate”	Success Gate Investments Limited, a company incorporated in Hong Kong, which is wholly-owned by the Vendor prior to Completion;
“SY COSCO Yihe”	瀋陽中遠頤和房地產開發有限公司 (Shenyang COSCO Yihe Property Development Co., Ltd.), a company incorporated in the PRC and owned as to 51% by Success Gate;
“Vendor”	Top Elegant Investments Limited, a company incorporated in the British Virgin Islands, being an indirect wholly-owned subsidiary of the Company;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“RMB”	Renminbi, the lawful currency of the PRC; and
“US\$”	United States dollars, the lawful currency of the United States of America.

# *for identification purpose only*

*Unless otherwise specified herein, for the purpose of this announcement and for reference only, the following exchange rates have been used for the conversion of Renminbi into Hong Kong dollars:  
RMB1 = HK\$1.0333.*

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

24 August 2007