

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



# **COSCO International Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 0517)

## **CONNECTED TRANSACTIONS**

### **SUMMARY**

On 31st March 2005, the Purchaser, a 51% non-wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor for the sale and purchase of the Construction Materials with a maximum purchase and credit limits of RMB30,000,000 (approximately HK\$28,184,000).

As a term of the Agreement, the Company as one of the guarantors provided the Guarantee guaranteeing the Purchaser's due performance of the obligations under the Agreement.

The Vendor is a Connected Person of the Company and the Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The provision of the Guarantee by the Company to an associate of the substantial shareholder of the Company also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The Agreement and the Guarantee were on normal commercial terms and the respective amounts under the Agreement and the Guarantee are less than 2.5% of each of the appropriate percentage ratios calculated in accordance with the Listing Rules. Accordingly, the Agreement and the Guarantee are only subject to the reporting and announcement requirements set out in Chapter 14A of the Listing Rules and are exempted from the independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

### **GENERAL INFORMATION OF THE AGREEMENT**

**Date:**

31st March 2005

## **Parties:**

- (i) Purchaser : 瀋陽中遠頤和房地產開發有限公司 (Shenyang COSCO Yihe Property Development Company Limited\*), a company incorporated in the PRC with limited liability and a 51% non-wholly-owned subsidiary of the Company (the remaining 49% shareholding being held as to 29% by 廣州遠洋建設實業公司 (COSCO Guangzhou Construction Industry Company\*), being a company established in the PRC and a wholly-owned subsidiary of COSCO and as to 20% by 廣州頤和集團有限公司 (Guangzhou Yihe Group Co., Ltd.\*), being a company incorporated in the PRC).
- (ii) Vendor : 中遠國際貿易公司 (COSCO International Trading Company\*), a company incorporated in the PRC with limited liability, an associate of the controlling shareholder of the Company

## **Brief description of the transactions contemplated under the Agreement**

The Purchaser has agreed to purchase the Construction Materials from the Vendor on a non-exclusive basis. Upon receipt of purchase order(s) from the Purchaser, the Vendor shall source the Construction Materials from the relevant supplier(s) as suggested by the Purchaser and sell the Construction Materials to the Purchaser at cost together with a management fee equivalent to 3% of the aggregate cost of the Construction Materials (the “**Price for the Construction Materials**”). Such management fee was determined on the basis of normal market rate charged by companies engaging in similar transactions in the PRC.

The Agreement is not continuing in nature. The maximum amount of the Construction Materials to be purchased by the Purchaser under the Agreement is RMB30,000,000 (approximately HK\$28,184,000).

The Vendor shall provide a credit period to the Purchaser so that the Purchaser may settle the Price for the Construction Materials within 6 months from the date on which the Vendor receives the relevant purchase confirmation from the Purchaser and pays for the relevant Construction Materials. The Vendor will charge interest on the Price for the Construction Materials at the interest rate as quoted by the People’s Bank of China for its one year’s loan (the current interest rate quoted by the People’s Bank of China for its one year’s loan is 5.58%). The interest will start accruing from the date on which the Vendor receives the relevant purchase confirmation from the Purchaser to the date on which the Purchaser settles the Price for the Construction Materials in full.

Given the Vendor is a sizeable trading company, it has the advantage of quoting favourable price for bulk purchase of the Construction Materials. Taking into consideration of the Vendor’s ability to obtain favourable price for the Construction Materials and its agreement to give a 6 month’s credit period to the Purchaser to settle the Price for the Construction Materials, the Board considered it is in the interest of the Company and the independent Shareholders to enter into the Agreement.

The maximum purchase and credit limits provided by the Vendor under the Agreement to the Purchaser shall be RMB30,000,000 (approximately HK\$28,184,000).

## **Reasons for and benefits of entering into the Agreement**

The benefits which are expected to accrue to the Group as a result of the Agreement is that the Purchaser will be able to purchase the Construction Materials from the Vendor at a lower cost (even taken into consideration the management fee of 3% of the aggregate cost of the Construction Materials) when compared to present situation where the Group purchases the Construction Materials from the suppliers direct. Further, with the stabilized credit limit provided by the Vendor to the Purchaser, the Purchaser (together with the Vendor) can have better bargaining powers to negotiate with the suppliers and enjoy the benefit of quoting favourable Price for the Construction Materials.

The Price for the Construction Materials and the maximum purchase and credit limits provided by the Vendor to the Purchaser were negotiated at arm's length terms. The Directors consider the Agreement to be on normal commercial terms and in the ordinary and usual course of business of the Group. The Directors, including the independent non-executive Directors, also believe such terms to be fair and reasonable and in the interests of the Shareholders as a whole.

## **Provision of a guarantee by the Company**

As a term of the Agreement, the Purchaser shall procure its shareholders to guarantee its due performance of the obligations under the Agreement in proportion to their respective shareholdings in the Purchaser. On 31st March 2005, among others, the Company entered into the Guarantee with the Purchaser and the Vendor. Pursuant to the Guarantee, the Company as one of the guarantors shall provide a proportionate several guarantee in favour of the Vendor guaranteeing the Purchaser's due performance of its obligations under the Agreement (up to 51% of RMB30,000,000 (approximately HK\$14,374,000)).

## **DISCLOSURE REQUIREMENTS**

The Vendor, a company incorporated in the PRC with limited liability, is an associate of COSCO and thus a Connected Person of the Company.

Accordingly, the Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The provision of the Guarantee by the Company to an associate of the substantial shareholder of the Company also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The Agreement and the Guarantee were on normal commercial terms and the respective amounts under the Agreement and the Guarantee are less than 2.5% of each of the appropriate percentage ratios calculated in accordance with the Listing Rules. Accordingly, the Agreement and the Guarantee are only subject to the reporting and announcement requirements set out in Chapter 14A of the Listing Rules and are exempted from the independent Shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

## **INFORMATION ON THE VENDOR**

The Vendor is currently engaged in local and international trading business including trading of construction materials, equipment and spare parts for vessels.

## DEFINITIONS

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

“Agreement”	means the Agreement dated 31st March 2005 for the sale and purchase of certain steel, cement and other construction materials
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	means the board of Directors of the Company
“Company”	means COSCO International Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“Construction Materials”	means certain steel sheet, cement and other construction materials for the property development project, namely “COSCO Yihe Garden” in Shenyang, the PRC
“COSCO”	means 中國遠洋運輸(集團)總公司(China Ocean Shipping (Group) Company), a company incorporated in the PRC and the ultimate beneficial owner holding approximately 58.59% of the issued share capital of the Company (the remaining 41.41% of the issued share capital of the Company is held by the public)
“Directors”	means the directors of the Company
“Group”	means the Company and its subsidiaries
“Guarantee”	means a proportionate several guarantee provided by the Company in favour of the Vendor guaranteeing the Purchaser’s due performance of the obligations under the Agreement (up to 51% of RMB30,000,000 (approximately HK\$14,374,000))
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	means the People’s Republic of China (for the purposes of this Announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan Province)

“Purchaser”	means 瀋陽中遠頤和房地產開發有限公司 (Shenyang COSCO Yihe Property Development Company Limited), a company incorporated in the PRC with limited liability and a 51% non-wholly-owned subsidiary of the Company
“Shareholder(s)”	means the holder(s) of the share(s) of the Company
“Shares”	means the ordinary shares of HK\$0.10 each of the Company
“Stock Exchange”	means the Stock Exchange of Hong Kong Limited
“Vendor”	means 中遠國際貿易公司 (COSCO International Trading Company), a company incorporated in the PRC with limited liability, an associate of COSCO and thus a Connected Person of the Company

*In this announcement, the exchange rate of HK\$1 to RMB1.0644 is used for reference only.*

*\* For identification purpose only*

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

Hong Kong, 31st March 2005

*As at the date of this announcement, the Board comprises eleven executive Directors, being Mr. Wei Jiafu (Chairman), Mr. Liu Guoyuan (Vice-chairman), Mr. Li Jianhong, Mr. Zhou Liancheng, Mr. Liu Hanbo (Managing Director), Mr. He Jiale, Mr. Guo Huawei, Mr. Chen Pisen, Mr. Meng Qinghui, Mr. Zhao Kaiji and Mr. Lin Libing, three independent non-executive Directors, being Mr. Chan Cheong Foon, Andrew, Mr. Kwong Che Keung, Gordon and Mr. Tsui Yiu Wa, Alec.*

Please also refer to the published version of this announcement in The Standard.