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International

COSCO International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 0517)

CONNECTED AND DISCLOSEABLE TRANSACTION

SUMMARY

The Guarantee and the Loan Facility

On 4th April 2005, the Borrower, a 51% owned subsidiary of the Company, entered into the Loan Agreement with the Lender for the Loan Facility under which the Company together with COSCO GZ and Guangzhou Yihe shall provide the Lender with the Guarantee on a joint and several basis.

The Borrower is owned as to 51%, 29% and 20% equity interests by the Company, COSCO GZ and Guangzhou Yihe respectively. So far as the Board is aware, save for its interests in the Borrower, Guangzhou Yihe and its associates have no interests in any shares of the Company or its subsidiaries.

As the Lender and COSCO GZ are subsidiaries of COSCO, the ultimate controlling shareholder of the Company, COSCO GZ and the Lender are connected persons of the Company. Accordingly, the provision of the Guarantee by the Company to an associate of a substantial shareholder of the Company constitutes financial assistance of the Company under Rule 14A.13(3) of the Listing Rules and since the amount of the Guarantee is not within the exemption under Rule 14A.66 of the Listing Rules, the Guarantee is subject to the approval of the Independent Shareholders. As the Guarantee amount is more than 5% but less than 25% of each of the appropriate percentage ratios defined under the Listing Rules, the Guarantee constitutes a discloseable transaction of the Company.

The Board will establish an independent board committee to consider and advise the Independent Shareholders on the terms of the Guarantee and the Commitment Agreement and will appoint an independent financial adviser to advise the independent board committee. A circular containing, among other things, details of the Loan Facility, the Guarantee and the Commitment Agreement, the recommendation of the independent board committee, an advice of the independent financial adviser together with a notice to convene the SGM to approve the Guarantee and the Commitment Agreement will be issued to the Shareholders as soon as practicable.

COSCO, True Smart and their respective associates will abstain from voting on the resolutions approving the Guarantee and the Commitment Agreement to be proposed at the SGM.

THE GUARANTEE AND THE LOAN FACILITY

- Borrower** : 瀋陽中遠頤和房地產開發有限公司 (Shenyang COSCO Yihe Property Development Company Limited*), owned as to 51%, 29% and 20% equity interest by the Company, COSCO GZ and Guangzhou Yihe respectively, the relationship between the parties are set out under the paragraph headed “Relationship between the parties” below
- Lender** : 中遠財務有限責任公司(COSCO Finance Limited*), a financial institution established under PRC laws and a subsidiary of COSCO
- Loan Facility** : a loan facility of up to RMB150,000,000 (approximately HK\$140,924,000) for a term up to 5th April 2007 granted by the Lender to the Borrower
- Purpose** : to finance the construction cost of the Project
- Repayment** : the loan shall be repaid in full on or before 5th April 2007
- Interest** : 5.76% per annum and will be adjusted according to the base rate quoted by the People’s Bank of China from time to time
- Guarantors** : the Company, COSCO GZ and Guangzhou Yihe

Pursuant to the terms of the Loan Agreement, the Company, COSCO GZ, Guangzhou Yihe, the Borrower and the Lender entered into the Guarantee whereby the Guarantors agreed to provide the Lender the Guarantee on a joint and several basis to secure the performance of the obligations of the Borrower under the Loan Agreement. The Guarantee will be effective from 5th April 2005 to 5th April 2009. The maximum exposure of the Company will be the principal, interests accrued, penalty payment (up to 3.8% of the amount of Loan Facility, i.e. RMB5,700,000), fees and/or otherwise which are payable under the Loan Agreement. Save for the Guarantee, there is no other security or charges provided for the Loan Facility.

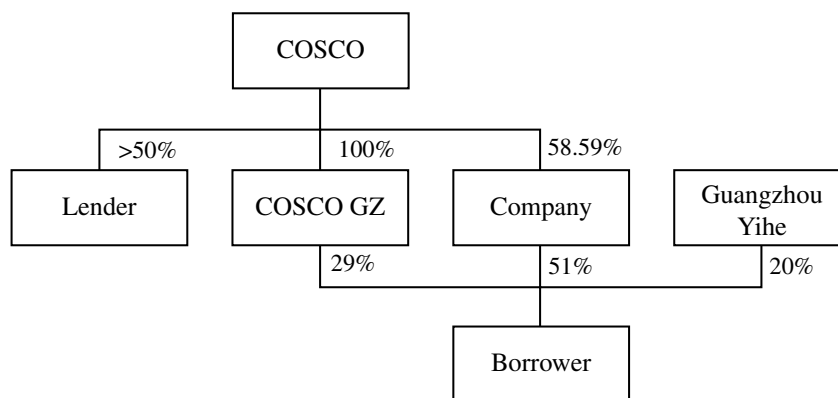
The Company, COSCO GZ, Guangzhou Yihe and the Borrower also entered into the Commitment Agreement whereby the parties agreed, amongst other things, the followings:

- (i) in the event that the Borrower does not have enough funding to make full repayment of the Loan Facility when it falls due, the Borrower will issue a funding notice to each of the Guarantors requiring it to make available to the Borrower such funds by way of shareholder’s loans (“Shareholder’s Loan”) in the proportion to its shareholding interest in the Borrower. If any one of the Guarantors cannot provide funding to the Borrower in accordance with the funding notice (“Defaulting Guarantor”), its Shareholder’s Loan (“Defaulted Amount”) will be provided by the other remaining Guarantors and each Guarantor shall bear the amount calculated by multiplying the Defaulted Amount by its percentage of equity interest in the Borrower and divided by the total percentage of equity interests of the remaining Guarantors in the Borrower and they shall enter into a loan agreement with the Defaulting Guarantor in respect of the Defaulted Amount;
- (ii) no profit of the Borrower may be distributed until all outstanding bank loans and Shareholders’ Loans have been repaid in full;

- (iii) if the Defaulted Amount remain outstanding in the event of the termination or liquidation of the Borrower, the capital contribution distributable to the Defaulting Guarantor, in proportion to the equity interest of the Defaulting Guarantor in the Borrower, shall be repaid to the Guarantors who have provided the Shareholders' Loans on behalf of the Defaulting Guarantor;
- (iv) the director of the Borrower nominated by the Defaulting Guarantor shall abstain from voting in any board meeting from the date of default until the Defaulted Amount and accrued interest are provided by the Defaulting Guarantor to the Borrower;
- (v) any officer nominated by the Defaulting Guarantor to the Borrower shall refrain from carrying out his/her duties and the remaining Guarantors shall be entitled to nominate other person to replace such officer from the date of default until the Defaulted Amount and accrued interest are provided by the Defaulting Guarantor to the Borrower.

RELATIONSHIP BETWEEN THE PARTIES

Set out below is the shareholding relationship between the Company and the other parties to the Loan Agreement, the Guarantee and the Commitment Agreement:



So far as the Board is aware, save for its interests in the Borrower, Guangzhou Yihe and its associates have no interests in any shares of the Company or its subsidiaries.

REASONS FOR THE TRANSACTIONS

Prior to the solicitation of the Loan Facility, the Borrower had explored various alternative means of funding for the Project including applying for bank loans from third party commercial banks. After having considered the terms of the loan facilities offered by other third party commercial banks, the Company is of the view that the terms of the Loan Facility is most favourable as it offers the most preferential interest rate, longest repayment term, no penalty for early repayment, no other security required, no limitation on mortgage or charges and the approval procedure is less time consuming. By providing the Guarantee, the Borrower will be able to obtain sufficient funding for the Project. The Directors believe that the provision of a guarantee by the holding company to a financial institution to facilitate the granting of loan facility to a subsidiary is in the usual and ordinary course of business of the Company.

The Company considers that the terms of the Guarantee and the Commitment Agreement, being arrived after arm's length negotiation with the Lender are on normal commercial terms. The Directors consider that the terms of the Guarantee and the Commitment Agreement are fair and reasonable and in the best interest of the Company and the Shareholders as a whole.

LISTING RULES REQUIREMENTS

The Borrower is owned as to 51%, 29% and 20% equity interests by the Company, COSCO GZ and Guangzhou Yihe respectively. As the Lender and COSCO GZ are subsidiaries of COSCO, the ultimate controlling shareholder of the Company. The Lender and COSCO GZ are connected persons of the Company. Accordingly, the provision of the Guarantee by the Company to an associate of a substantial shareholder of the Company constitutes financial assistance of the Company under Rule 14A.13(3) of the Listing Rules and since the amount of the Guarantee is not within the exemption under Rule 14A.66 of the Listing Rules, the Guarantee is subject to the approval of the Independent Shareholders. As the Guarantee amount is more than 5% but less than 25% of each of the appropriate percentage ratios defined under the Listing Rules, the Guarantee constitutes a discloseable transaction of the Company.

GENERAL INFORMATION

The Group is principally engaged in ship trading and supplying services, property investment and development, infrastructure investment and building construction.

The Borrower is principally engaged in the business of property development business in Shenyang, PRC

The Lender is a subsidiary of COSCO and is principally engaged in the business of provision of financial services such as accounts settlement and loans to member companies of the COSCO Group.

COSCO GZ is a wholly-owned subsidiary of COSCO.

Guangzhou Yihe is principally engaged in the business of property development business in Guangzhou, PRC. So far as the Board is aware, save for its interests in the Borrower, Guangzhou Yihe and its associates, have no interests in any shares of the Company or its subsidiaries.

As COSCO is the ultimate controlling shareholder of the Company and the Lender being a subsidiary of COSCO and COSCO GZ is a wholly-owned subsidiary of COSCO, having 29% equity interest in the Borrower, the transactions amongst the Lender, the Borrower, COSCO GZ and the Company constitute connected transactions for the Company under the Listing Rules.

The Board will appoint an independent board committee to consider and advise the Independent Shareholders on the terms of the Guarantee and the Commitment Agreement. An independent financial adviser will be appointed to advise the independent board committee of the Company regarding the Guarantee and the Commitment Agreement. COSCO, True Smart and their respective associates will abstain from voting in relation to the resolutions to be proposed at the SGM to approve the Guarantee and the Commitment Agreement.

A circular containing, among other things, details of the Loan Agreement, the Guarantee and the Commitment Agreement, the recommendation of the independent board committee, an advice of the independent financial adviser together with a notice to convene the SGM to approve the Guarantee and the Commitment Agreement will be issued to the Shareholders as soon as practicable.

DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Borrower”	瀋陽中遠頤和房地產開發有限公司 (Shenyang COSCO Yihe Property Development Company Limited*), a company established in the PRC and is owned as to 51% equity interest by the Company
“Commitment Agreement”	the commitment agreement dated 4th April 2005 entered into between the Company, COSCO GZ, Guangzhou Yihe and the Borrower setting out the commitments of the parties
“Company”	COSCO International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“COSCO”	中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company*), a company incorporated in the PRC and the ultimate beneficial owner holding approximately 58.59% equity interest in the Company
“COSCO Group”	COSCO and its subsidiaries
“COSCO GZ”	廣州遠洋建設實業公司 (Guangzhou COSCO Construction Industry Company*), a company established in the PRC and is a wholly-owned subsidiary of COSCO
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Guangzhou Yihe”	廣州頤和集團有限公司 (Guangzhou Yihe Group Co., Ltd.*), a company incorporated in the PRC
“Guarantee”	the guarantee dated 4th April 2005 provided by the Company, COSCO GZ and Guangzhou Yihe to the Lender guaranteeing the performance by the Borrower of its obligations under the Loan Agreement
“Guarantors”	the Company, COSCO GZ and Guangzhou Yihe
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Shareholder(s)”	Shareholder(s) other than COSCO and True Smart and any of their respective associates
“Lender”	中遠財務有限責任公司 (COSCO Finance Limited*), a financial institution established under PRC laws and a subsidiary of COSCO

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	the loan agreement dated 4th April 2005 between the Lender and the Borrower in respect of the Loan Facility
“Loan Facility”	a loan facility of up to RMB150,000,000 for a term up to 5th April 2007 granted by the Lender to the Borrower
“PRC”	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)
“Project”	the property development project named “COSCO Yihe Garden” in Shenyang, PRC
“RMB”	Reminbi, the lawful currency of the PRC
“SGM”	a special general meeting of the Company to be held to approve the Guarantee and the Commitment Agreement
“Shareholder(s)”	the holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“True Smart”	True Smart International Limited, a company incorporated under the laws of British Virgin Islands and a wholly-owned subsidiary of COSCO, which holds 58.59% equity interest in 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, 4th April 2005

As at the date hereof, the Board comprises of fourteen directors of which 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 as executive directors and Mr. Chan Cheong Foon, Andrew, Mr. Kwong Che Keung, Gordon and Mr. Tsui Yiu Wa, Alec as independent non-executive directors.

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