



COSCO International Holdings Limited

(Incorporated in Bermuda with limited liability)

DISCLOSEABLE AND CONNECTED TRANSACTIONS

Summary

Success Gate, a wholly-owned subsidiary of the Company, COSCO GZ and Guangzhou Yihe entered into the Co-operative Agreement on 12th June 2003 whereby the parties conditionally agreed to establish the JV Company and to develop the Project through the JV Company.

Pursuant to the terms of the Co-operative Agreement, Success Gate, COSCO GZ and Guangzhou Yihe shall each contribute RMB51 million (approximately HK\$47.91 million), RMB29 million (approximately HK\$27.25 million), and RMB20 million (approximately HK\$18.79 million) respectively to the registered capital of the JV Company thereby giving Success Gate, COSCO GZ and Guangzhou Yihe 51%, 29% and 20% equity interest in the JV Company respectively. In addition, the parties shall also advance in aggregate up to RMB100 million (approximately HK\$93.95 million) by way of shareholders' loans to the JV Company in the same proportion as their respective equity interests in the JV Company. Success Gate shall make its capital contribution and shareholder's loan to the JV Company in foreign currency. The major terms and conditions of the Co-operative Agreement are set out in further detail in this announcement.

It is intended that the JV Company shall purchase the Land for the Project from the Shenyang City Government via a public tender process for a consideration of RMB160 million (approximately HK\$150.32 million). As the JV Company has not yet been established, Success Gate submitted a bid for the Land and was notified by the Shenyang City Government that the bid was successful on 6th June 2003.

The Directors believe that the establishment of the JV Company and the Company's participation in the Project through the JV Company shall provide the Group with good opportunities to expand its presence in the property market of the PRC and to fortify the Group's financial and business positions.

The Co-operative Agreement has been negotiated on an arm's length basis and on normal commercial terms. The Directors consider that the terms are fair and reasonable insofar as the Independent Shareholders are concerned and the proposed investment by the Company in the JV Company is in the interests of the Company.

As at 31st December 2002, the audited consolidated net tangible asset value of the Group was approximately HK\$964 million. The entering into of the Co-operative Agreement by Success Gate whereby the JV Company with a total investment amount of RMB240 million (approximately HK\$225.48 million) will become a subsidiary of the Company constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Guangzhou Yihe is independent of and not connected with the directors, chief executive and substantial shareholders of the Company, any of its subsidiaries or their respective associates. COSCO GZ is a connected person of the Company by virtue of its being a wholly-owned subsidiary of COSCO. Thus, the entering into of the Co-operative Agreement and the Loan Agreement and the other transactions contemplated thereunder also constitute connected transactions for the Company under the Listing Rules.

As the purchase price of the Land of RMB160 million (approximately HK\$150.32 million) accounts for 15.59% of the audited consolidated net tangible asset value as at 31st December 2002 of the Group, the acquisition of the Land by Success Gate constitutes a discloseable transaction for the Company.

A circular containing, among other things, further details of the Transactions, a letter from the independent financial adviser containing its advice to the independent board committee of the Company and the recommendations of the independent board committee of the Company together with a notice convening a special general meeting of the Company will be despatched to the Shareholders as soon as practicable. True Smart and COSCO Investments and their respective associates will abstain from voting in relation to the resolutions approving the Transactions.

THE CO-OPERATIVE AGREEMENT DATED 12TH JUNE 2003

Parties

- Success Gate, a wholly-owned subsidiary of the Company
- COSCO GZ, a wholly-owned subsidiary of COSCO
- Guangzhou Yihe, a third party independent of and not connected with the directors, chief executive and substantial shareholders of the Company, any of its subsidiaries or their respective associates

Principal terms

The Co-operative Agreement has been conditionally entered into between the parties, the principal terms of which comprise the following:

1. The parties shall enter into the JV Contract and the JV Articles and submit the same to the relevant examination and approval authority within 15 days of the execution of the Co-operative Agreement.
2. Each of the parties shall enter into a loan agreement with the JV Company within 30 days from the issuance of the business license of the JV Company relating to its pro-rata share of the total shareholders' loans to be advanced to the JV Company of up to RMB100 million (approximately HK\$93.95 million), of which up to RMB62.74 million (approximately HK\$58.94 million) shall be interest free and up to RMB37.26 million (approximately HK\$35.01 million) shall carry interest at the rate of 8% per annum or the highest rate of interest as is approved by the State Administration of Foreign Exchange in the PRC, whichever is the lower. The parties shall advance the shareholders' loans in installments. Each installment shall be advanced within 20 working days of the receipt by the relevant party of a drawdown notice from the JV Company. The principal and interest of the shareholders' loans shall be repaid to the parties pro-rata to the amount of shareholders' loans contributed by the parties in accordance with a reasonable and feasible repayment schedule to be determined jointly by the parties. Profits shall only be distributed by the JV Company to the parties after full repayment of the principal and interest of the shareholders' loans. The shareholders' loans are not secured or guaranteed.
3. On the seventh working day after the due fulfillment or waiver by Success Gate of those conditions described in the paragraph headed "Conditions Precedent" below, Success Gate, COSCO GZ and Guangzhou Yihe will make the Capital Injection in the respective sums of RMB51 million (approximately HK\$47.91 million), RMB29 million (approximately HK\$27.25 million), and RMB20 million (approximately HK\$18.79 million). Success Gate shall make its capital contribution of RMB51 million (approximately HK\$47.91 million) by way of paying the deposit and part of the purchase price of the Land on behalf of the JV Company as described in the paragraph headed "The Land and the Project".

Conditions Precedent

The Co-operative Agreement is conditional upon, among other things, the following conditions being fulfilled or waived by Success Gate in writing on or before 31st December 2003:

- a. in accordance with the relevant provisions of the Listing Rules, the passing of the resolutions at a special general meeting of the Company approving the Co-operative Agreement and the transactions contemplated thereunder;
- b. the JV Contract, the JV Articles and the loan agreements having been executed by the relevant parties and all relevant third party or government consents or approvals in relation to the formation of the JV Company having been obtained so that Success Gate, COSCO GZ and Guangzhou Yihe shall have become the shareholders of the JV Company.

It is intended that the JV Company shall purchase the Land for the Project from the Shenyang City Government via a public tender process for a consideration of RMB160 million (approximately HK\$150.32 million). As the JV Company has not yet been established, Success Gate submitted a bid for the Land on behalf of the JV Company and was notified by the Shenyang City Government that the bid was successful on 6th June 2003.

In the event that condition (a) above cannot be fulfilled after condition (b) has been fulfilled, COSCO GZ shall end its involvement in the JV Company by withdrawing from the JV Company if it has not made any capital contribution to the JV Company or, by transferring its entire equity interest in the JV Company and the rights and interests to its shareholder's loan to the JV Company (if any) to Guangzhou Yihe for a consideration equal to the aggregate sum of the registered capital contributed by it and the principal sum of the shareholder's loan advanced by it to the JV Company if it has already made such capital contribution to the JV Company, such that the participation of Success Gate in the JV Company and the Project will no longer constitute connected transactions for the Company.

Subject to the aforesaid, in the event that any of the aforesaid conditions precedent is not fulfilled or waived by Success Gate in writing on or before 31st December 2003, the Co-operative Agreement shall terminate and become null and void and no party shall have any claim against the others, save in respect of any antecedent breach.

The JV Contract and the JV Articles pursuant to the Co-operative Agreement

Parties: Success Gate
COSCO GZ
Guangzhou Yihe

Principal terms:

1. The scope of business of the JV Company will be real estate development and operation, property and car parking space rental and sales, construction material manufacturing and sales, property consulting, agency and management services in the PRC. The main focus of the JV Company will be to acquire the Land and develop the Project.
2. The total investment amount for the JV Company will be RMB240 million (approximately HK\$225.48 million) whilst the registered capital will be RMB100 million (approximately HK\$93.95 million). Success Gate, COSCO GZ and Guangzhou Yihe will contribute RMB51 million (approximately HK\$47.91 million), RMB29 million (approximately HK\$27.25 million), and RMB20 million (approximately HK\$18.79 million) representing 51%, 29% and 20% of the registered capital of the JV Company respectively. Accordingly, Success Gate, COSCO GZ and Guangzhou Yihe shall have 51%, 29% and 20% equity interest in the JV Company respectively.
3. Success Gate will make its capital contribution in cash in foreign currency and the other parties will make their respective capital contribution in cash in Renminbi.
4. The board of directors will comprise five directors, three of whom (including the chairman) will be nominated by Success Gate, one of whom (including the vice-chairman) will be nominated by COSCO GZ and one of whom will be nominated by Guangzhou Yihe. Neither the chairman nor the vice-chairman has any extra voting power.
5. The JV Company will have a duration of 20 years commencing on the date of issuance of its business licence. The parties may apply for an extension of the duration of the JV Company within 6 months of the expiry of the initial 20 years' term.

The JV Company will be accounted for as a subsidiary of the Group.

The Loan Agreement pursuant to the Co-operative Agreement

In addition to the Capital Injection, the parties to the JV Contract will also advance shareholders' loans of up to an aggregate sum of RMB100 million (approximately HK\$93.95 million) to the JV Company on a pro-rata basis so as to finance the development of the Project.

To formalise the advancement of its pro-rata share of such shareholders' loans to the JV Company, Success Gate will enter into the Loan Agreement with the JV Company. Under the Loan Agreement, Success Gate will advance the total sum of up to RMB51 million (approximately HK\$47.91 million) to the JV Company by installments. The first RMB32 million (approximately HK\$30.06 million) of the loan shall carry no interest and may be drawn down in installments. This RMB32 million (approximately HK\$30.06 million) non-interest bearing portion of the shareholder's loan shall be advanced by Success Gate through its payment of part of the purchase price of the Land as described in the paragraph headed "The Land and the Project". The balance RMB19 million (approximately HK\$17.85 million) of the loan shall carry interest at the rate of 8% per annum or the highest rate of interest as is approved by the State Administration of Foreign Exchange in the PRC, whichever is the lower and may be drawn down in installments. The drawdown period of the entire loan shall end on 31st December 2005. All drawdowns will be made in foreign currency. The Directors confirm that the aforesaid shareholder's loan is not a revolving loan and that the terms of the Loan Agreement have been arrived at after arm's length negotiations.

Success Gate shall advance each installment within 20 working days of its receipt of the relevant drawdown notice from the JV Company.

Unless an event of default has occurred (and subject to Success Gate's overriding right of repayment), the shareholder's loan shall be repaid in accordance with a reasonable and feasible repayment schedule to be determined by Success Gate jointly with the other parties to the JV Company.

The Company will disclose in its future annual reports the interest rates, outstanding amount, repayment schedule and other relevant information relating to the shareholder's loan advanced by Success Gate to the JV Company under the Loan Agreement.

THE LAND AND THE PROJECT

The Land is a piece of bare land without any infrastructure or facilities situated in the Yu Hung District in the inner zone (內環) of Shenyang City, the PRC, with a site area of approximately 72,635.5 sq. m..

As part of its old city re-development programme, the Shenyang City Government, has offered the Land for development with a term of 70 years for residential premises and 40 years for commercial premises to developers who must submit their bids between 13th May 2003 and 6th June 2003. The bid price of RMB160 million (approximately HK\$150.32 million) submitted by Success Gate for the Land and accepted by the Shenyang City Government was in fact the base price demanded for the Land by the Shenyang City Government and is inclusive of all re-settlement compensation, land levelling and other related costs. The purchase price shall be paid as to approximately RMB83 million (approximately HK\$78 million) in foreign currency and as to the balance in Renminbi.

As the JV Company has not yet been established, Success Gate submitted a bid for the Land and was notified by the Shenyang City Government on 6th June 2003 that the bid was successful. In accordance with the terms of the bid invitation put forth by the Shenyang City Government, Success Gate paid a deposit of US\$2 million (approximately HK\$15.6 million) on 6th June 2003 to the Shenyang City Government. The bid was made by Success Gate on the understanding that the title to the Land would be conveyed to the JV Company. Accordingly, all the relevant land transfer agreement and other documents required under the bidding process will be entered into by the JV Company. Further, the sum of US\$2 million (approximately HK\$15.6 million) paid by Success Gate will be applied towards its contribution of registered capital to the JV Company. A further sum of US\$8 million (approximately HK\$62.4 million) shall be paid by Success Gate to the Shenyang City Government as part payment of the land purchase price before 25th June 2003. Of this US\$8 million (approximately HK\$62.4 million) payment to be made by Success Gate before 25th June 2003, approximately US\$4.14 million (approximately HK\$32.29 million) shall be applied towards the capital contribution by Success Gate to the JV Company and approximately US\$3.86 million (approximately HK\$30.11 million) shall be applied towards the shareholder's loan to be advanced by Success Gate to the JV Company. The balance of the land purchase price shall be paid by the JV Company in Renminbi before 31st October 2004.

Upon completion of the development, the Project will comprise several blocks of residential buildings, car parking spaces, commercial complex and related facilities.

REASONS FOR ENTERING INTO THE CO-OPERATIVE AGREEMENT

The Group is principally engaged in property investment and development, building construction and civil engineering, infrastructure investment, ship trading and supplying services, and high technology and environmental protection businesses. With the successful experience gained from the development of Fragrant Garden in Shanghai and Ocean Prospect in Beijing, the Group is well positioned to further explore and develop promising high quality residential and commercial projects in the PRC. The Directors consider that the proposed transactions provide good opportunities for the Group to expand its presence in the PRC property market as well as to fortify the Group's financial and business position.

GENERAL

As at 31st December 2002, the audited consolidated net tangible asset value of the Group was approximately HK\$964 million. The entering into of the Co-operative Agreement by Success Gate whereby the JV Company with a total investment amount of RMB240 million (approximately HK\$225.48 million) will become a subsidiary of the Company constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Furthermore, as COSCO GZ being a wholly-owned subsidiary of COSCO, is a connected person of the Company, the entering into of the Co-operative Agreement and the Loan Agreement and the other transactions contemplated thereunder constitute connected transactions for the Company under the Listing Rules. The Group's aggregate capital commitment under the Co-operative Agreement of RMB102 million (approximately HK\$95.83 million) will be financed by internal resources. The difference between the total investment of the JV Company of RMB240 million (approximately HK\$225.48 million) and the total amount of registered capital and shareholders' loans to be injected by the parties of RMB200 million (HK\$187.90 million) represents the portion which will be borrowed by the JV Company from third parties such as banks. The Company is not committed and has no immediate plans to invest any further amount in the JV Company.

As the purchase price of the Land of RMB160 million (approximately HK\$150.32 million) accounts for 15.59% of the audited consolidated net tangible asset value as at 31st December 2002 of the Group, the acquisition of the Land by Success Gate constitutes a discloseable transaction for the Company.

The terms of the Co-operative Agreement have been negotiated on an arm's length basis and on normal commercial terms. The Directors consider that the terms are fair and reasonable insofar as the Independent Shareholders are concerned and the formation of the JV Company is in the interest of the Company.

An independent board committee of the Company has been formed to advise the Independent Shareholders in respect of the Transactions. DBS Asia Capital Limited has been retained as independent financial adviser to advise the independent board committee of the Company regarding the connected transactions being the entering into of the Co-operative Agreement, the JV Contract, the JV Articles and the Loan Agreement. True Smart and COSCO Investments and their respective associates will abstain from voting in relation to the resolutions approving the Transactions.

A circular containing, among other things, further details of the discloseable transactions and the connected transactions, a letter from DBS Asia Capital Limited containing its advice to the

independent board committee of the Company and the recommendations of the independent board committee of the Company, together with a notice convening a special general meeting of the Company will be despatched 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:

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| "associate(s)" | has the meaning ascribed to it under the Listing Rules |
| "Board" | the board of Directors |
| "Capital Injection" | the capital injection made by each of Success Gate, COSCO GZ and Guangzhou Yihe to the registered capital of the JV Company on a basis proportional to their respective equity interest in the JV Company |
| "Company" | COSCO International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange |
| "Co-operative Agreement" | the conditional agreement dated 12th June 2003 entered into between Success Gate, COSCO GZ and Guangzhou Yihe relating to, amongst other things, the JV Contract, the JV Articles, the Capital Injection and the Loan Agreement |
| "COSCO" | 中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company), a company incorporated in the PRC, the ultimate beneficial owner holding approximately 59.48% equity interest in the Company |
| "COSCO GZ" | 廣州遠洋建設實業公司 (COSCO Guangzhou Construction Industry Company), a company incorporated under the laws of the PRC, and a wholly-owned subsidiary of COSCO |
| "COSCO Investments" | COSCO Investments Limited, a company incorporated under the laws of British Virgin Islands, a wholly-owned subsidiary of COSCO, which holds approximately 21.68% of the issued share capital of the Company |
| "Directors" | the directors of the Company |
| "Fragrant Garden" | a residential real estate development project situated in Hongkou District, Shanghai, the PRC, with a site area of approximately 35,000 sq. m. |
| "Group" | the Company and its subsidiaries |
| "Guangzhou Yihe" | 廣州頤和投資發展有限公司 (Guangzhou Yihe Investment & Development Co., Ltd.), a company incorporated under the laws of the PRC |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "HK\$" | Hong Kong dollars, the lawful currency of Hong Kong |
| "Independent Shareholder(s)" | Shareholder(s) other than True Smart and COSCO Investments and any of their respective associates |
| "JV Articles" | the articles to be entered into between Success Gate, COSCO GZ and Guangzhou Yihe relating to regulation of the affairs of the JV Company |
| "JV Company" | 瀋陽中遠頤和房地產開發有限公司 (Shenyang COSCO Yihe Property Development Co., Ltd.), the sino-foreign equity joint venture company to be formed pursuant to the JV Contract |
| "JV Contract" | the contract to be entered into between Success Gate, COSCO GZ and Guangzhou Yihe for the establishment of the JV Company |
| "Land" | The land known as Lot No.2002-038, Bei Ta Xin Cun and situated in the west side of Liu Tiao Hu Street, Yu Hung District, Shenyang, the PRC |
| "Listing Rules" | The Rules Governing the Listing of Securities on the Stock Exchange |
| "Loan Agreement" | the agreement to be entered into between the JV Company and Success Gate governing the terms of the advancement of loans from Success Gate to the JV Company for the Project |
| "Ocean Prospect" | a residential real estate development project situated in Hai Dian District, Beijing, the PRC, with a site area of approximately 29,795 sq. m. |
| "PRC" | the People's Republic of China which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan |
| "Project" | a real estate development project of the Land |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "Shareholder(s)" | the holder(s) of the share(s) of the Company |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Success Gate" | Success Gate Investments Limited, a company incorporated under the laws of Hong Kong, and a wholly-owned subsidiary of the Company |
| "Transactions" | the entering into of the Co-operative Agreement and the Loan Agreement and the other transactions contemplated thereunder |
| "True Smart" | True Smart International Limited, a company incorporated under the laws of British Virgin Islands, a wholly-owned subsidiary of COSCO, which holds 37.80% equity interest in the Company |
| "US\$" | United States dollars, the lawful currency of the United States |
| Exchange rates: | HK\$1 to RMB1.0644 US\$1 to HK\$7.8 |

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

Hong Kong, 12th June 2003