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**中國遠洋控股股份有限公司**  
**China COSCO Holdings Company Limited\***

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*  
(Stock code : 1919)

**CONNECTED TRANSACTION**  
**ACQUISITION OF 100% EQUITY INTEREST IN**  
**SHANGHAI OCEAN SHIPPING COMPANY, LTD.**

On 27 August 2009, COSCO as vendor and COSCON (a wholly-owned subsidiary of the Company) as purchaser entered into the Equity Transfer Agreement, pursuant to which COSCO has conditionally agreed to sell to COSCON, and COSCON has conditionally agreed to purchase from COSCO, a 100% equity interest held by COSCO in COSCO Shanghai in accordance with the terms of the Equity Transfer Agreement.

COSCO is the controlling shareholder of the Company. Accordingly, the Transaction constitutes a connected transaction of the Company under the Listing Rules.

One or more of the applicable percentage ratios in respect of the Transaction exceed 0.1% but all those applicable percentage ratios are less than 2.5%. Accordingly, the Transaction is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under the Listing Rules.

**INTRODUCTION**

On 27 August 2009, COSCO as vendor and COSCON (a wholly-owned subsidiary of the Company) as purchaser entered into the Equity Transfer Agreement, pursuant to which COSCO has conditionally agreed to sell to COSCON, and COSCON has conditionally agreed to purchase from COSCO, a 100% equity interest held by COSCO in COSCO Shanghai in accordance with the terms of the Equity Transfer Agreement.

## **EQUITY TRANSFER AGREEMENT**

Date	: 27 August 2009
Parties	: COSCO as vendor COSCON as purchaser
Assets to be acquired	: 100% equity interest in COSCO Shanghai
Consideration	: The Consideration is RMB278,671,500 (equivalent to approximately HK\$316,097,082), of which: -  (1) 30% will be payable in cash within 5 business days from the date on which all Conditions are satisfied; and  (2) the remaining 70% will be payable in cash within 3 months from the date on which all Conditions are satisfied.
Rights and losses arising from the equity interest to be acquired	: The parties have agreed that all dividends and distributions (and all other rights) and losses arising from the 100% equity interest in COSCO Shanghai from 28 February 2009 to the Completion Date will be enjoyed or borne (as the case may be) by COSCO.

## **BASIS FOR DETERMINATION OF THE CONSIDERATION**

The Consideration was determined based on the valuation of a 100% equity interest in COSCO Shanghai of RMB278,671,500 (equivalent to approximately HK\$316,097,082) stated in the Asset Appraisal Report, which was prepared by the Valuer based on the replacement cost method. The Valuer has confirmed that the terms as set out in the paragraph headed “Rights and losses arising from the equity interest to be acquired” above would not affect such valuation. The Asset Appraisal Report has been filed with the SASAC.

The Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## CONDITIONS PRECEDENT

Completion is conditional upon each of the following Conditions having been satisfied on or before the Long Stop Date:-

- (1) internal approval procedures of COSCO in respect of the execution and performance of the Equity Transfer Agreement having been completed in accordance with its articles of association;
- (2) resolutions having been passed by the board of directors of the Company to approve the Equity Transfer Agreement and the Transaction;
- (3) resolutions having been passed by the shareholders of COSCON to approve the acquisition of a 100% equity interest in COSCO Shanghai;
- (4) the Asset Appraisal Report having been filed with the SASAC;
- (5) approval having been obtained from 中華人民共和國交通運輸部 (the Ministry of Transport of the People's Republic of China) in respect of the Equity Transfer Agreement;
- (6) approval having been obtained from the SASAC in respect of the equity transfer contemplated under the Equity Transfer Agreement; and
- (7) the Equity Transfer Agreement (including all appendices), the reinstated articles of association of COSCO Shanghai and other relevant documents having been executed by COSCO and COSCON and other relevant parties.

As at the date of this announcement, the Conditions set out in (2) to (4) above were satisfied.

If any of the Conditions has not been satisfied on or before the Long Stop Date, the parties to the Equity Transfer Agreement will commence negotiation and will use their best endeavours to reach an agreement on the waiver of the relevant Conditions, the extension of the Long Stop Date or the termination of the Equity Transfer Agreement within 15 business days from the Long Stop Date. The Equity Transfer Agreement will terminate upon the expiry of such 15 business days if the parties fail to reach an agreement, in which case:

- (1) other than those in relation to antecedent breaches, neither party will have any rights and obligations under the Equity Transfer Agreement, unless otherwise stated in the Equity Transfer Agreement; and

- (2) the parties will use reasonable and necessary endeavours to cancel and terminate documents relevant to the performance of the Equity Transfer Agreement, including, but not limited to, undergoing approval procedures within 30 business days from the date of termination, and reinstating the position of COSCO Shanghai to what it was before the execution of the Equity Transfer Agreement.

## **NET ASSET VALUE AND NET PROFITS ATTRIBUTABLE TO THE ASSETS TO BE ACQUIRED**

The total asset value and net asset value of COSCO Shanghai as at 28 February 2009 are approximately RMB2,482.68 million (equivalent to approximately HK\$2,816.10 million) and RMB274.24 million (equivalent to approximately HK\$311.07 million), based on the audited consolidated financial statements of COSCO Shanghai prepared in accordance with the China Accounting Standards.

Based on the audited consolidated financial statements of COSCO Shanghai prepared in accordance with the China Accounting Standards, (i) net profits before and after taxation and minority interests for the financial year ended 31 December 2007 of COSCO Shanghai are approximately RMB-427.29 million (equivalent to approximately HK\$-484.68 million) and approximately RMB-415.53 million (equivalent to approximately HK\$-471.34 million), respectively, which was mainly attributable to the personnel costs of approximately RMB0.4 billion (equivalent to approximately HK\$0.5 billion) accrued in 2007 when COSCO Shanghai adopted the “Accounting Standard for Business Enterprises - Basic Standard (2007)” for the first time; (ii) net profits before and after taxation and minority interests for the financial year ended 31 December 2008 of COSCO Shanghai are approximately RMB-46.31 million (equivalent to approximately HK\$-52.53 million) and approximately RMB-37.27 million (equivalent to approximately HK\$-42.28 million), respectively; and (iii) net profits before and after taxation and minority interest of COSCO Shanghai for the two months ended 28 February 2009 are approximately RMB-4.44 million (equivalent to approximately HK\$5.04 million) and approximately RMB-3.22 million (equivalent to approximately HK\$3.65 million), respectively.

## **REASONS FOR AND BENEFITS OF THE TRANSACTION**

COSCO Shanghai is a wholly-owned subsidiary of COSCO principally engaged in the provision of a wide range of container shipping related services, including, without limitation to, communication and navigation, seaman leasing, vessel chartering and vessel safety management, which are mainly provided to the container fleets of the Group.

The demand for seamen of ocean liners has been high in recent years as additional shipping capacity has increased in response to the rapid growth of international shipping market. In particular, the competition for experienced seamen is very keen. COSCO Shanghai, being a seamen and shipping management service provider under the COSCO Group, consistently provides the Group with container fleet services through its sophisticated shipping management system and high quality seamen leasing services pursuant to the Master Vessel Management Agreement and the Master Seamen Leasing Agreement both dated 3 September 2007 between COSCON and COSCO, the details of which were disclosed in the announcement of the Company dated 3 September 2007. The acquisition of COSCO Shanghai by COSCON will enable the Company and COSCON to secure a more comprehensive chain of services. COSCO Shanghai has extensive experience in the relevant industry. It will provide strong technical support to, and will enhance safe operation of, the container fleets of the Group, which in turn will improve the overall competitiveness of COSCON and the Group.

Upon Completion, the transactions contemplated under the Master Vessel Management Agreement and the Master Seamen Leasing Agreement mentioned above, will no longer be continuing connected transactions of the Company. This will enable the Company to save substantial time and cost which will otherwise be required for its compliance of the applicable disclosures and independent shareholders' approval requirements in respect of such continuing connected transactions under the Listing Rules.

Based on the above, the Directors (including the independent non-executive Directors) consider the terms of the Equity Transfer Agreement and the Transaction are normal commercial terms, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

COSCO is the controlling shareholder of the Company. Accordingly, the Transaction constitutes a connected transaction of the Company under the Listing Rules.

One or more of the applicable percentage ratios in respect of the Transaction exceed 0.1% but all those applicable percentage ratios are less than 2.5%. Accordingly, the Transaction is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under the Listing Rules.

## GENERAL INFORMATION

COSCO is the controlling shareholder of the Company holding an aggregate of approximately 53.75% of the total Share capital of the Company. COSCO Group is one of the principal state-owned enterprises under the direct administration of the SASAC and is a multi-national conglomerate principally engaged in international shipping business. Its major businesses include international passenger marine transportation and cargo shipping; leasing, construction, trading and maintenance of vessels and containers and manufacture of related facilities; domestic coastal cargo transportation in the PRC; shipping agency; communication services; and shipping and cargo agency at major ports in the PRC.

The Group is one of the leading global providers of a wide range of container shipping, dry bulk shipping, logistics, terminals and container leasing services covering the whole shipping value chain for both international and domestic customers.

COSCON is a wholly-owned subsidiary of the Company, which is principally engaged in container shipping businesses, and is one of the leading comprehensive container shipping service providers in the world.

## DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context otherwise requires:-

“Asset Appraisal Report”	the asset appraisal report (No. Zhong Tong Ping Bao Zi [2009] 49) prepared and issued by the Valuer in respect of a 100% equity interest in COSCO Shanghai as at 28 February 2009
“Board”	the board of directors of the Company
“China Accounting Standards”	the China Accounting Standards for Business Enterprises issued by the Ministry of Finance, the PRC
“Company”	China COSCO Holdings Company Limited (中國遠洋控股股份有限公司), a joint stock limited company established under the laws of the PRC with limited liability, the H shares of which are listed on the Main Board of the Stock Exchange and the A shares of which are listed on the Shanghai Stock Exchange in the PRC

“Completion”	completion of the sale and purchase of a 100% equity interest in COSCO Shanghai pursuant to the Equity Transfer Agreement, which will take place immediately after satisfaction of all Conditions
“Conditions”	the conditions precedent to the Completion, as set out in the paragraph headed “Conditions Precedent” in this announcement
“connected person”	having the meaning ascribed to such term in the Listing Rules
“Consideration”	the consideration of RMB278,671,500 (equivalent to approximately HK\$316,097,082) for the sale and purchase of a 100% equity interest in COSCO Shanghai pursuant to the Equity Transfer Agreement
“COSCO”	中國遠洋運輸(集團)總公司(China Ocean Shipping (Group) Company*), a Chinese State-owned enterprise and the controlling shareholder of the Company holding an aggregate of approximately 53.75% of the total Share capital of the Company
“COSCO Group”	COSCO and its associates (has the meaning ascribed in to such term in the Listing Rules), excluding the Group
“COSCO Shanghai”	上海遠洋運輸有限公司 (Shanghai Ocean Shipping Company Limited*), a limited liability company established under the laws of the PRC, which is a wholly-owned subsidiary of COSCO as at the date of this announcement
“COSCON”	中遠集裝箱運輸有限公司 (COSCO Container Lines Company Limited*), a limited liability company established under the laws of the PRC, which is a wholly-owned subsidiary of the Company
“Director(s)”	director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 27 August 2009 entered into between COSCO as vendor and COSCON as purchaser in relation to the sale and purchase of a 100% equity interest in COSCO Shanghai
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Long Stop Date”	31 August 2009, or such later date as agreed by both parties to the Equity Transfer Agreement in writing
“PRC”	the People’s Republic of China, which for the purpose of this announcement and unless the context suggests otherwise, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“SASAC”	中華人民共和國國務院國有資產監督管理委員會(The State-owned Assets Supervision and Administration Commission of the State Council of the People’s Republic of China)
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	having the meaning ascribed to such term in the Listing Rules
“Transaction”	the sale and purchase of a 100% equity interest in COSCO Shanghai contemplated under the Equity Transfer Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	US dollars, the lawful currency of the United States of America
“Valuer”	中通誠資產評估有限公司 (Zhong Tong Sheng Asset Appraisal Company Limited*), an asset appraisal company independent from the Group
“%”	per cent.

\* For identification purpose only.

*For the purposes of this announcement, the exchange rate of RMB1 = HK\$1.1345 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amounts has been, could have been or may be exchanged at any particular rate on the date or dates in question or any other date.*

By Order of the Board  
**China COSCO Holdings Company Limited**  
**Zhang Yongjian**  
*Company Secretary*

Beijing, the PRC, 27 August 2009

As at the date of this announcement, the executive Directors are Mr. WEI Jiafu (Chairman and CEO) and Mr. CHEN Hongsheng (President); the non-executive Directors are Mr. ZHANG Fusheng (Vice Chairman), Mr. LI Jianhong, Mr. XU Lirong, Mr. ZHANG Liang and Ms. SUN Yueying; and the independent non-executive Directors are Ms. LI Boxi, Mr. Alexander Reid HAMILTON, Mr. CHENG Mo Chi and Mr. TEO Siong Seng.

\* *The Company is registered as a non-Hong Kong company under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) under its Chinese name “中國遠洋控股股份有限公司” and the English name “China COSCO Holdings Company Limited”.*