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COSCO International Holdings Limited

(Incorporated in Bermuda with limited liability)

CONNECTED TRANSACTIONS

The Acquisitions

On 14th August 2003, the Company entered into the following agreements with, among others, COSCO Industry and Shen-John, both of whom are connected persons of the Company:

- the Shanghai Kansai Agreement whereby the Company conditionally agreed to acquire from COSCO Industry and Shen-John in aggregate 34.19% equity interest in Shanghai Kansai for a total consideration of RMB28,804,466 (approximately HK\$27,061,693);
- the Tianjin Kansai Agreement whereby the Company conditionally agreed to acquire from COSCO Industry and Shen-John in aggregate 34.19% equity interest in Tianjin Kansai for a total consideration of RMB30,036,524 (approximately HK\$28,219,207); and
- the Shanghai International Agreement whereby the Company conditionally agreed to acquire from COSCO Industry 10% equity interest in Shanghai International for a consideration of RMB17,138,000 (approximately HK\$16,101,090).

The total consideration of the Acquisitions amounts to RMB75,978,990 (approximately HK\$71,381,990) in cash which has been arrived at after arm's length negotiations between the parties involved and represents a 5.3% discount and a 6.5% discount to the respective business valuations of Shanghai Kansai and Tianjin Kansai as conducted by the Independent Valuer as at 31st July 2003 and 9.36% of the unaudited net tangible assets of Shanghai International as at 30th June 2003. The total consideration will be satisfied by internal resources of the Group.

The Company will enter into an agreement to amend the joint venture contract and an agreement to amend the articles of association of each of the Paint Companies with the other shareholders of the Paint Companies to effect the consequential changes of the structures of the Paint Companies resulting from the Acquisitions.

Upon completion of the Acquisitions, Shanghai Kansai and Tianjin Kansai will become jointly controlled entities of the Company and be equity accounted for in the consolidated accounts of the Company. The Company will treat its 10% equity interest in Shanghai International as a long term investment.

COSCO is the ultimate controlling shareholder of the Company. COSCO Industry and Shen-John are subsidiaries of COSCO. Thus, the Acquisitions constitute connected transactions for the Company.

A circular containing, among other things, further details of the Acquisitions, the valuation reports by the Independent Valuer, a letter from the independent financial adviser containing its advice to the Independent Director and the recommendations of the Independent Director 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 on the resolutions approving the Acquisitions.

THE SHANGHAI KANSAI AGREEMENT DATED 14TH AUGUST 2003

Parties: Purchaser: The Company
Vendors: COSCO Industry, a wholly-owned subsidiary of COSCO
Shen-John, a non wholly-owned subsidiary of COSCO

Equity Interest to be acquired

The Company shall purchase in aggregate 34.19% equity interest in Shanghai Kansai, of which 31.45% shall be from COSCO Industry and 2.74% shall be from Shen-John. Upon completion of the Shanghai Kansai Agreement, Shanghai Kansai will become a jointly controlled entity of the Company and be equity accounted for in the consolidated accounts of the Company. Under Chapter 14 of the Listing Rules, the Shanghai Kansai Agreement constitutes a connected transaction for the Company.

Consideration

The consideration for the purchases of the 31.45% and 2.74% equity interests in Shanghai Kansai are RMB26,496,065 (approximately HK\$24,892,958) and RMB2,308,401 (approximately HK\$2,168,735) respectively. The Company shall pay such consideration within 3 months from (i) the date of completion of the Shanghai Kansai Agreement; or (ii) the date of issuance of the new business licence of Shanghai Kansai; or (iii) the date of completion of all registration procedures at the competent authorities of the PRC relating to the corresponding changes in respect of Shanghai Kansai pursuant to the equity interest transfers under the Shanghai Kansai Agreement, whichever is the earliest. Such consideration has been determined after arm's length negotiation between the parties thereto and is based on the business valuation of Shanghai Kansai of RMB89 million (approximately HK\$83.62 million) as prepared by the Independent Valuer on a market value basis as at 31st July 2003. The valuation was premised on the principal assumption that there will not be any significant changes in the operating conditions and environment within which Shanghai Kansai functions after completion of the Shanghai Kansai Agreement. The consideration for the purchases of in aggregate 34.19% equity interest in Shanghai Kansai represents a 5.3% discount to the Independent Valuer's business valuation. Such consideration shall be paid by the Company in cash and will be funded by internal resources of the Group.

Conditions precedent

The Shanghai Kansai Agreement is conditional upon, among other things, the following conditions precedent being fulfilled or waived by the Company on or before 31st December 2003:

- the equity interest transfers having been approved unanimously by the board of directors of Shanghai Kansai;
- each of COSCO Industry, Shen-John and all other shareholders of Shanghai Kansai having issued documents agreeing to the transactions contemplated under the Shanghai Kansai Agreement, and waiving their respective pre-emptive rights;
- COSCO Industry and Shen-John having provided all documents relating to Shanghai Kansai at the Company's request and the Company having completed the due diligence review on Shanghai Kansai and confirmed its satisfaction of the result of such review in writing;
- all parties to the Shanghai Kansai Agreement and other relevant parties having executed all necessary contracts, agreements and other relevant documents relating to the equity interest transfers under the Shanghai Kansai Agreement and Shanghai Kansai having obtained all necessary governmental approvals, consents and permits relating to the equity interest transfers and the corresponding changes in respect of the sino-foreign equity joint venture enterprise pursuant thereto including the issuance of the new business licence of Shanghai Kansai (if any);
- the passing by the Independent Shareholders of an ordinary resolution approving the Shanghai Kansai Agreement and the transactions contemplated under the Shanghai Kansai Agreement including the entering into of the agreements to amend the joint venture contract and articles of association of Shanghai Kansai in accordance with the Listing Rules; and
- the issuing of a legal opinion by a firm of PRC lawyers designated by the Company relating to the transactions contemplated under the Shanghai Kansai Agreement and each document relating thereto to the satisfaction of the Company.

In the event that any of the aforesaid conditions precedent is not fulfilled or waived by the Company on or before 31st December 2003 or such later date as the parties to the Shanghai Kansai Agreement may agree in writing, the Shanghai Kansai Agreement shall terminate automatically and no party shall have any claim against the others, save in respect of any antecedent breach.

Completion

Completion of the Shanghai Kansai Agreement shall take place on the 15th working day after all the conditions precedent under the Shanghai Kansai Agreement have been fulfilled (unless waived by the Company) or such other date as the parties thereto may agree in writing.

THE TIANJIN KANSAI AGREEMENT DATED 14TH AUGUST 2003

Parties: Purchaser: The Company
Vendors: COSCO Industry, a wholly-owned subsidiary of COSCO
Shen-John, a non wholly-owned subsidiary of COSCO

Equity Interest to be acquired

The Company shall purchase in aggregate 34.19% equity interest in Tianjin Kansai, of which 31.45% shall be from COSCO Industry and 2.74% shall be from Shen-John. Upon completion of the Tianjin Kansai Agreement, Tianjin Kansai will become a jointly controlled entity of the Company and be equity accounted for in the consolidated accounts of the Company. Under Chapter 14 of the Listing Rules, the Tianjin Kansai Agreement constitutes a connected transaction for the Company.

Consideration

The consideration for the purchases of 31.45% and 2.74% equity interests in Tianjin Kansai are RMB27,629,385 (approximately HK\$25,957,709) and RMB2,407,139 (approximately HK\$2,261,498) respectively. The Company shall pay such consideration within 3 months from (i) the date of completion of the Tianjin Kansai Agreement; or (ii) the date of issuance of the new business licence of Tianjin Kansai; or (iii) the date of completion of all registration procedures at the competent authorities of the PRC relating to the corresponding changes in respect of Tianjin

Kansai pursuant to the equity interest transfers under the Tianjin Kansai Agreement, whichever is the earliest. Such consideration has been determined after arm's length negotiation between the parties thereto and is based on the business valuation of Tianjin Kansai of RMB94 million (approximately HK\$88.31 million) as prepared by the Independent Valuer on a market value basis as at 31st July 2003. The valuation was premised on the principal assumption that there will not be any significant changes in the operating conditions and environment within which Tianjin Kansai functions after completion of the Tianjin Kansai Agreement. The consideration for the purchases of in aggregate 34.19% equity interest in Tianjin Kansai represents a 6.5% discount to the Independent Valuer's business valuation. Such consideration shall be paid by the Company in cash and will be funded by internal resources of the Group.

Conditions precedent

The Tianjin Kansai Agreement is conditional upon, among other things, the following conditions precedent being fulfilled or waived by the Company on or before 31st December 2003:

- the equity interest transfers having been approved unanimously by the board of directors of Tianjin Kansai;
- each of COSCO Industry, Shen-John and all other shareholders of Tianjin Kansai having issued documents agreeing to the transactions contemplated under the Tianjin Kansai Agreement, and waiving their respective pre-emptive rights;
- COSCO Industry and Shen-John having provided all documents relating to Tianjin Kansai at the Company's request and the Company having completed the due diligence review on Tianjin Kansai and confirmed its satisfaction of the result of such review in writing;
- all parties to the Tianjin Kansai Agreement and other relevant parties having executed all necessary contracts, agreements and other relevant documents relating to the equity interest transfers under the Tianjin Kansai Agreement and Tianjin Kansai having obtained all necessary governmental approvals, consents and permits relating to the equity interest transfers and the corresponding changes in respect of the sino-foreign equity joint venture enterprise pursuant thereto including the issuance of the new business licence of Tianjin Kansai (if any);
- the passing by the Independent Shareholders of an ordinary resolution approving the Tianjin Kansai Agreement and the transactions contemplated under the Tianjin Kansai Agreement including the entering into of the agreements to amend the joint venture contract and articles of association of Tianjin Kansai in accordance with the Listing Rules; and
- the issuing of a legal opinion by a firm of PRC lawyers designated by the Company relating to the transactions contemplated under the Tianjin Kansai Agreement and each document relating thereto to the satisfaction of the Company.

In the event that any of the aforesaid conditions precedent is not fulfilled or waived by the Company on or before 31st December 2003 or such later date as the parties to the Tianjin Kansai Agreement may agree in writing, the Tianjin Kansai Agreement shall terminate automatically and no party shall have any claim against the others, save in respect of any antecedent breach.

Completion

Completion of the Tianjin Kansai Agreement shall take place on the 15th working day after all the conditions precedent under the Tianjin Kansai Agreement have been fulfilled (unless waived by the Company) or such other date as the parties thereto may agree in writing.

THE SHANGHAI INTERNATIONAL AGREEMENT DATED 14TH AUGUST 2003

Parties: Purchaser: The Company
Vendor: COSCO Industry, a wholly-owned subsidiary of COSCO

Equity Interest to be acquired

The Company shall purchase 10% equity interest in Shanghai International from COSCO Industry. Upon completion of the Shanghai International Agreement, the Company will treat the 10% equity interest in Shanghai International as a long term investment.

Consideration

The consideration for the purchase of the 10% equity interest in Shanghai International is RMB17,138,000 (approximately HK\$16,101,090). The Company shall pay such consideration within 3 months from (i) the date of completion of the Shanghai International Agreement; or (ii) the date of issuance of the new business licence of Shanghai International; or (iii) the date of completion of all registration procedures at the competent authorities of the PRC relating to the corresponding changes in respect of Shanghai International pursuant to the equity interest transfer under the Shanghai International Agreement, whichever is the earliest. Such consideration has been determined after arm's length negotiation between the parties thereto and is equivalent to 9.36% of the unaudited net tangible assets of Shanghai International as at 30th June 2003. The consideration shall be paid by the Company in cash and will be funded by internal resources of the Group.

Conditions precedent

The Shanghai International Agreement is conditional upon, among other things, the following conditions precedent being fulfilled or waived by the Company on or before 31st December 2003:

- the equity interest transfer having been approved unanimously by the board of directors of Shanghai International;
- each of COSCO Industry and all other shareholders of Shanghai International having issued documents agreeing to the transactions contemplated under the Shanghai International Agreement, and waiving their respective pre-emptive rights;
- COSCO Industry having provided all documents relating to Shanghai International at the Company's request and the Company having completed the due diligence review on Shanghai International and confirmed its satisfaction of the result of such review in writing;
- all parties to the Shanghai International Agreement and other relevant parties having executed all necessary contracts, agreements and other relevant documents relating to the equity interest transfer under the Shanghai International Agreement and Shanghai International having obtained all necessary governmental approvals, consents and permits relating to the equity interest transfer and the corresponding changes in respect of the sino-foreign equity joint venture enterprise pursuant thereto including the issuance of the new business licence of Shanghai International (if any);

- the passing by the Independent Shareholders of an ordinary resolution approving the Shanghai International Agreement and the transactions contemplated under the Shanghai International Agreement including the entering into of the agreements to amend the joint venture contract and articles of association of Shanghai International in accordance with the Listing Rules; and
- the issuing of a legal opinion by a firm of PRC lawyers designated by the Company relating to the transactions contemplated under the Shanghai International Agreement and each document relating thereto to the satisfaction of the Company.

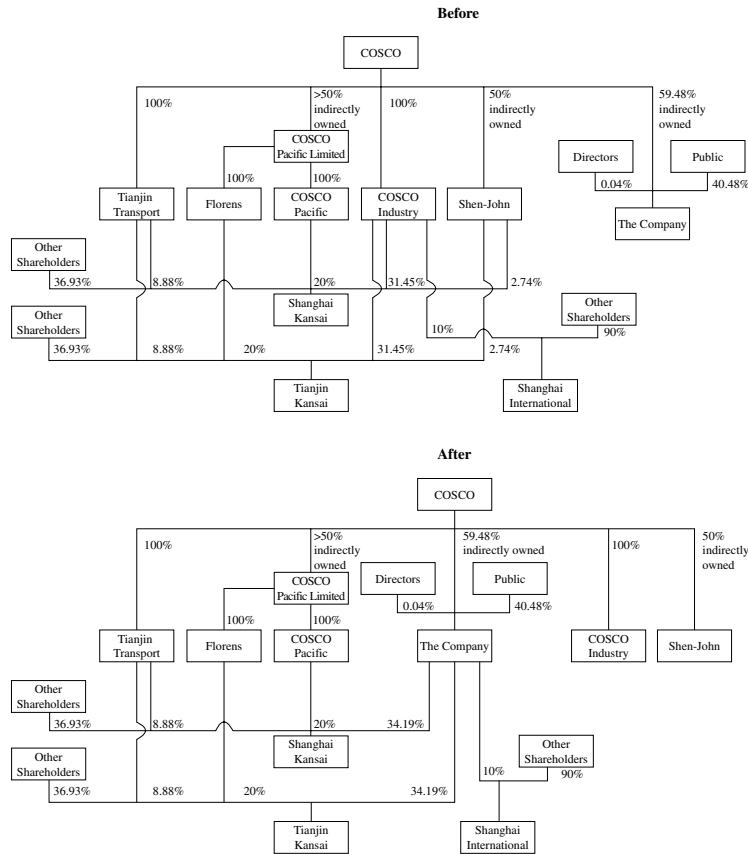
In the event that any of the aforesaid conditions precedent is not fulfilled or waived by the Company on or before 31st December 2003 or such later date as the parties to the Shanghai International Agreement may agree in writing, the Shanghai International Agreement shall terminate automatically and no party shall have any claim against the other, save in respect of any antecedent breach.

Completion

Completion of the Shanghai International Agreement shall take place on the 15th working day after all the conditions precedent under the Shanghai International Agreement have been fulfilled (unless waived by the Company) or such other date as the parties thereto may agree in writing.

STRUCTURE OF THE COMPANY

The following charts represent the structure of the Company immediately before and after completion of the Acquisitions:



INFORMATION ON THE PAINT COMPANIES

All of the Paint Companies are principally engaged in the manufacture and sale of Container Paint, Vessel Paint and Anti-Corrosion Paint in the Southern and Northern parts of the PRC.

As Shanghai Kansai is situated in an old urban district where a coastal economic open zone of the PRC is located, it has been enjoying a reduced profits tax rate of 24% of its taxable profits. Being part of the benefits given by the local government to sino-foreign joint venture enterprises, Shanghai Kansai also enjoyed the benefit of paying its profits tax at half of the applicable rate of taxation of 24% for the years 2000 to 2002. In addition to the aforesaid tax, Shanghai Kansai also has to pay local profits tax at the rate of 3% of its taxable profits to the local government starting from 2003.

Further, Tianjin Kansai and Shanghai International are situated in economic and technological development zones of the PRC and have been enjoying reduced profits tax rate of 15% of their taxable profits. In addition to the aforesaid tax, Tianjin Kansai and Shanghai International also have to pay local profits tax at the rate of 3% of their taxable profits to the local government.

The reduced profits tax rates applicable to the Paint Companies will be valid until any modification or re-enactments of the legislation "Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises" or promulgation of any relevant new laws, rules or regulations or orders by the competent authorities of the PRC.

The COSCO Group is a major customer of both Shanghai Kansai and Tianjin Kansai. COSCO Group accounted for RMB191 million (approximately HK\$179 million) representing 39% and RMB165 million (approximately HK\$155 million) representing 51% of the total sales of Container Paint by Shanghai Kansai and Tianjin Kansai for the year ended 31st December 2002 respectively.

The COSCO Group also accounted for RMB50 million (approximately HK\$47 million) representing 49% and RMB52 million (approximately HK\$49 million) representing 14% of the total sales of Vessel Paint by Shanghai Kansai and Tianjin Kansai for the year ended 31st December 2002 respectively.

The COSCO Group also accounted for RMB0.52 million (approximately HK\$0.49 million) representing 3% of the total sales of Anti-Corrosion Paint by Shanghai Kansai and Tianjin Kansai for the year ended 31st December 2002.

The COSCO Group accounted for RMB241.5 million (approximately HK\$227 million) representing 40.23% of the total sales of paint products by Shanghai Kansai for the year ended 31st December 2002. The COSCO Group accounted for RMB217 million (approximately HK\$204 million) representing 30.27% of the total sales of paint products by Tianjin Kansai for the year ended 31st December 2002.

The COSCO Group is also a customer of Shanghai International but only accounted for less than RMB40 million (approximately HK\$37.58 million) representing less than 1% of the total sales of paint products of Shanghai International for the year ended 31st December 2002.

Even though the financial statements of the Paint Companies were prepared in accordance with PRC generally accepted accounting principles, only the financial statements of Shanghai Kansai and Tianjin Kansai have been accepted to be in accordance with Hong Kong generally accepted accounting principles. The table below sets out the audited profit before and after taxation for the Paint Companies for the two years ended 31st December 2001 and 2002 respectively and their latest audited net tangible assets as at 31st December 2002 (in respect of which only figures of Shanghai Kansai and Tianjin Kansai were adjusted in accordance with Hong Kong generally accepted accounting principles).

	Year ended 31st December			
	2001 RMB million	2001 HK\$ million	2002 RMB million	2002 HK\$ million
Shanghai Kansai				
Profit before taxation	8.37	7.86	24.41	22.93
Profit after taxation	6.10	5.73	21.14	19.86
Net tangible assets	72.63	68.24	78.01	73.29
Tianjin Kansai				
Profit before taxation	21.25	19.96	17.58	16.52
Profit after taxation	16.51	15.51	14.63	13.74
Net tangible assets	87.78	82.47	73.09	68.67
Shanghai International				
Profit before taxation	36.87	34.64	97.30	91.41
Profit after taxation	31.22	29.33	86.41	81.18
Net tangible assets	116.07	109.05	202.47	190.22

Upon completion of the Acquisitions, the Company will nominate 3 directors (including the chairman) to each of the boards of directors of Shanghai Kansai and Tianjin Kansai.

The Company will enter into an agreement to amend the joint venture contract and an agreement to amend the articles of association of each of the Paint Companies with the other shareholders of the Paint Companies to effect the consequential changes of the structures of the Paint Companies resulting from the Acquisitions.

The equity joint venture contract of Shanghai Kansai immediately upon completion of the Shanghai Kansai Agreement

Principal terms:

Party	Registered capital contribution		Percentage of equity interest	No. of directors
	(US\$'000)	(HK\$'000)		
The Company	2,393.3	18,667.7	34.19%	3 (including the chairman)
Japan Kansai	1,656.9	12,923.8	23.67%	2 (including a vice-chairman)
COSCO Pacific	1,400.0	10,920.0	20.00%	2 (including a vice-chairman)
Tianjin Transport	621.6	4,848.5	8.88%	1
Hong Kong Kansai	445.2	3,472.6	6.36%	1
Nissho Iwai	368.2	2,872.0	5.26%	1
Bao Shan	114.8	895.4	1.64%	1
Total	7,000.0	54,600.0	100.00%	11

— The scope of business of Shanghai Kansai is the manufacturing and sale of Vessel Paint, Container Paint and Anti-Corrosion Paint and the petro-chemical products in relation thereto.

— The total investment amount for Shanghai Kansai is US\$12.80 million (approximately HK\$99.84 million) whilst the registered capital is US\$7 million (approximately HK\$54.60 million). The registered capital of Shanghai Kansai has been fully paid up. The difference between the total investment amount and the registered capital will be financed by bank loans and/or shareholders' loans in the same proportion as the parties' equity interests in Shanghai Kansai.

— The Company, COSCO Pacific, Nissho Iwai, Japan Kansai and Hong Kong Kansai made their capital contribution in cash in foreign currency whilst Bao Shan made its capital contribution in cash partly in foreign currency and partly in Renminbi.

— Shanghai Kansai has a duration of 20 years commencing on the date of issuance of its business licence, i.e. 22nd December 1995. The parties may apply for an extension of the duration of Shanghai Kansai within 6 months of the expiry of the initial 20 years' term. Upon expiry of the term of operation of Shanghai Kansai, the remaining net assets of Shanghai Kansai will be distributed among the parties in proportion to their respective equity interests in Shanghai Kansai.

The equity joint venture contract of Tianjin Kansai immediately upon completion of the Tianjin Kansai Agreement

Principal terms:

Party	Registered capital contribution		Percentage of equity interest	No. of directors
	(US\$'000)	(HK\$'000)		
The Company	1,709.5	13,334.1	34.19%	3 (including the chairman)
Japan Kansai	1,183.5	9,231.3	23.67%	2 (including a vice-chairman)
Florens	1,000.0	7,800.0	20.00%	2 (including a vice-chairman)
Tianjin Transport	444.0	3,463.2	8.88%	1
Hong Kong Kansai	318.0	2,480.4	6.36%	1
Nissho Iwai	263.0	2,051.4	5.26%	1
Bao Shan	82.0	639.6	1.64%	1
Total	5,000.0	39,000.0	100.00%	11

— The scope of business of Tianjin Kansai is the manufacturing and sale of Vessel Paint, Container Paint and Anti-Corrosion Paint and the petro-chemical products in relation thereto.

— The total investment amount for Tianjin Kansai is US\$10.00 million (approximately HK\$78.00 million) whilst the registered capital is US\$5.00 million (approximately HK\$39.00 million). The registered capital of Tianjin Kansai has been fully paid up. The difference between the total investment amount and the registered capital will be financed by bank loans and/or shareholders' loans in the same proportion as the parties' equity interests in Tianjin Kansai.

— Each party made its capital contribution in cash in foreign currency.

— Tianjin Kansai has a duration of 15 years commencing on the date of issuance of its business licence, i.e. 24th January 1992. The parties may apply for an extension of the duration of Tianjin Kansai within 6 months of the expiry of the initial 15 years' term. The Directors' current intention is that the Company will request the other joint venture parties to apply for an extension of the duration of Tianjin Kansai in due course. Upon expiry of the term of operation of Tianjin Kansai, the remaining net assets of Tianjin Kansai will be distributed among the parties in proportion to their respective equity interests in Tianjin Kansai.

The equity joint venture contract of Shanghai International immediately upon completion of the Shanghai International Agreement

Principal terms:

Party	Registered capital contribution		Percentage of equity interest	No. of directors
	(RMB million)	(HK\$ million)		
The Company	5.20	4.88	10%	1
China Shipbuilding	5.20	4.88	10%	1
Shanghai Coatings	15.08	14.17	29%	3 (including the chairman)
Akzo Nobel	26.52	24.92	51%	5 (including the vice-chairman)
Total	52.00	48.85	100%	10

— The scope of business of Shanghai International is the manufacturing of marine, offshore and yacht paint and coatings.

— The total investment amount for Shanghai International is RMB130.00 million (approximately HK\$122.13 million) whilst the registered capital is RMB52.00 million (approximately HK\$48.85 million). The registered capital of Shanghai International has been fully paid up. The difference between the total investment amount and the registered capital will be financed by bank loans.

— Akzo Nobel made its capital contribution in cash partly in foreign currency and partly in Renminbi whilst the Company, China Shipbuilding and Shanghai Coatings made their capital contribution in cash in Renminbi.

— Shanghai International has a duration of 25 years commencing on the date of issuance of its business licence, i.e. 18th December 1989. The parties may apply for an extension of the duration of Shanghai International within 6 months of the expiry of the initial 25 years' term. Upon expiry of the term of operation of Shanghai International, the remaining net assets of Shanghai International will be distributed among the parties in proportion to their respective equity interests in Shanghai International.

REASONS FOR ENTERING INTO THE AGREEMENTS

The Group is principally engaged in property investment and development, ship trading and supplying services, building construction and civil engineering, infrastructure investment and high technology and environmental protection business. As stated in the 2002 annual report of the Company, one of the business focuses of the Group is to further develop the ship trading and supplying services. The total sales of ship trading and supplying services of the Group for the year ended 31st December 2002 was HK\$15.35 million which represented 2.63% of the total sales of the Group for that year. The total profit contribution of the ship trading and supplying services for the same period was HK\$4.60 million.

Given the reputation and performance of the Paint Companies, the Directors consider that the entering into of the Acquisitions is in line with the stated business plan of the Group and believe that the Acquisitions will broaden the Group's earning base. As for the investment in Shanghai International, the Directors consider it as a strategic investment given the expertise and reputation of Shanghai International's shareholders in the paint industry. The Directors consider that the Acquisitions will facilitate further co-operative opportunities between the Group and the other shareholders of the Paint Companies and thus the entering into of the Agreements is in the interests of the Company and the Shareholders as a whole.

Save for the equity interests to be acquired by the Company pursuant to the Agreements, the Group has no other equity interest in the Paint Companies. The Company will continue to increase its investment in the paint business and may increase its equity interests in the Paint Companies when opportunities arise.

GENERAL

As COSCO Industry and Shen-John are subsidiaries of COSCO, they are connected persons of the Company under the Listing Rules. Thus, the entering into of the Agreements constitute connected transactions for the Company under the Listing Rules.

Mr. Alexander Reid Hamilton, one of the two independent non-executive Directors, is also an independent non-executive director of COSCO Pacific Limited which in turn is the holding company of COSCO Pacific and Florens, thus only Mr. Chan Cheong Foon, Andrew has been appointed as the independent non-executive Director to advise the Independent Shareholders in respect of the Acquisitions. DBS Asia Capital Limited has been appointed as the independent financial adviser to advise the Independent Director regarding the Acquisitions. True Smart and COSCO

Investments and their respective associates will abstain from voting in relation to the resolutions approving the Acquisitions.

A circular containing, among other things, further details of the Acquisitions, the valuation reports by the Independent Valuer, a letter from the independent financial adviser containing its advice to the Independent Director and the recommendations of the Independent Director, 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:

“Acquisitions”	the acquisition by the Company from the respective vendors of: (i) 34.19% of the equity interest of Shanghai Kansai; (ii) 34.19% of the equity interest of Tianjin Kansai; and (iii) 10% of the equity interest of Shanghai International, pursuant to the Shanghai Kansai Agreement, the Tianjin Kansai Agreement and the Shanghai International Agreement
“Agreements”	the Shanghai Kansai Agreement, the Tianjin Kansai Agreement and the Shanghai International Agreement
“Akzo Nobel”	Akzo Nobel (C) Holdings BV, a company incorporated under the laws of the Netherlands
“Anti-Corrosion Paint”	the anti-corrosion paint manufactured by the Paint Companies principally for use in heavy industries
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Bao Shan”	上海市寶山區顧村工業公司 (Shanghai Baoshan Gucun Industry Company), a company incorporated under the laws of the PRC
“Board”	the board of Directors
“China Shipbuilding”	中國船舶工業物資總公司 (China State Shipbuilding Equipment and Material Company), a company incorporated under the laws of the PRC
“Company”	COSCO International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Container Paint”	the container paint manufactured by the Paint Companies for use in containers
“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 59.48% of the issued share capital of the Company
“COSCO Group”	COSCO and its subsidiaries (other than the Group)
“COSCO Industry”	中遠工業公司 (COSCO 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 the British Virgin Islands and a wholly-owned subsidiary of COSCO, which holds approximately 21.68% of the issued share capital of the Company
“COSCO Pacific”	COSCO Pacific (China) Investments Co., Ltd., a company incorporated under the laws of the PRC and a wholly-owned subsidiary of COSCO Pacific Limited which in turn is a subsidiary of COSCO
“Directors”	the directors of the Company
“Florens”	Florens Industrial Holdings Limited, a company incorporated under the laws of Bermuda and a wholly-owned subsidiary of COSCO Pacific Limited which in turn is a subsidiary of COSCO
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Kansai”	Kansai Paint H. K. Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of Japan Kansai
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Director”	Mr. Chan Cheong Foon, Andrew, being the independent non-executive Director, appointed to consider and make recommendations to the Independent Shareholders in relation to the Acquisitions
“Independent Shareholder(s)”	Shareholder(s) other than True Smart and COSCO Investments and any of their respective associates
“Independent Valuer”	Sallmanns (Far East) Limited, an independent valuer
“Japan Kansai”	Kansai Paint Co., Ltd., a company registered in Osaka, Japan
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Nissho Iwai”	Nissho Iwai Corporation, a company registered in Osaka, Japan
“Paint Companies”	Shanghai Kansai, Tianjin Kansai and Shanghai International
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Coatings”	上海塗料有限公司 (Shanghai Coatings Company Limited), a company incorporated under the laws of the PRC
“Shanghai International”	International Paint of Shanghai Co., Ltd., a sino-foreign equity joint venture enterprise established under the laws of the PRC which is owned, among others, as to 10% by COSCO Industry
“Shanghai International Agreement”	the conditional sale and purchase agreement dated 14th August 2003 entered into between COSCO Industry and the Company relating to the purchase of 10% equity interest in Shanghai International by the Company
“Shanghai Kansai”	Shanghai COSCO Kansai Paint & Chemicals Co., Ltd., a sino-foreign equity joint venture enterprise established under the laws of the PRC which is owned, among others, as to 31.45% by COSCO Industry and 2.74% by Shen-John
“Shanghai Kansai Agreement”	the conditional sale and purchase agreement dated 14th August 2003 entered into by COSCO Industry, Shen-John and the Company relating to the purchase of in aggregate 34.19% equity interest in Shanghai Kansai by the Company
“Shareholder(s)”	the holder(s) of the share(s) of the Company
“Shen-John”	Shen-John Investment Company L.L.C., a company incorporated in the United States which is owned as to 50% by COSCO
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianjin Kansai”	Tianjin COSCO Kansai Paint & Chemicals Co., Ltd., a sino-foreign equity joint venture enterprise established under the laws of the PRC which is owned, among others, as to 31.45% by COSCO Industry and 2.74% by Shen-John
“Tianjin Kansai Agreement”	the conditional sale and purchase agreement dated 14th August 2003 entered into by COSCO Industry, Shen-John and the Company relating to the purchase of in aggregate 34.19% equity interest in Tianjin Kansai by the Company
“Tianjin Transport”	天津遠洋運輸公司 (COSCO Tianjin Ocean Shipping Company), a company incorporated under the laws of the PRC and a wholly-owned subsidiary of COSCO
“True Smart”	True Smart International Limited, a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of COSCO, which holds 37.80% of the issued share capital of the Company
“US\$”	United States dollars, the lawful currency of the United States
“Vessel Paint”	the vessel paint manufactured by the Paint Companies for use in vessels
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