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COSCO International Holdings Limited

(Incorporated in Bermuda with limited liability)

CONNECTED TRANSACTIONS AND ONGOING CONNECTED TRANSACTIONS

The Further Acquisitions

On 25th November 2003, the Company entered into the following agreements with COSCO Pacific, Florens and Tianjin Transport respectively, all of whom are connected persons of the Company:

1. the 1st SK Agreement whereby the Company conditionally agreed to acquire from COSCO Pacific 20% equity interest in Shanghai Kansai for a consideration of RMB19,959,000 (approximately HK\$18,751,409);
2. the 2nd SK Agreement whereby the Company conditionally agreed to acquire from Tianjin Transport 8.88% equity interest in Shanghai Kansai for a consideration of RMB8,243,000 (approximately HK\$7,744,269);
3. the 1st TK Agreement whereby the Company conditionally agreed to acquire from Florens 20% equity interest in Tianjin Kansai for a consideration of RMB21,081,000 (approximately HK\$19,805,524); and
4. the 2nd TK Agreement whereby the Company conditionally agreed to acquire from Tianjin Transport 8.88% equity interest in Tianjin Kansai for a consideration of RMB8,707,000 (approximately HK\$8,180,195).

The Company will have 34.19% equity interest in each of the Kansai Companies upon completion of the Previous Acquisitions details of which were contained in the Circular and have been approved by the Independent Shareholders at the SGM. Under the 1st SK Agreement and the 2nd SK Agreement, the Company shall purchase in aggregate a further 28.88% equity interest in Shanghai Kansai. Under the 1st TK Agreement and the 2nd TK Agreement, the Company shall purchase in aggregate a further 28.88% equity interest in Tianjin Kansai. Completion of each of the Agreements is not subject to completion of any of the other Agreements or the Previous Acquisitions. Upon completion of the Further Acquisitions (on the assumption that the Previous Acquisitions have completed), the Company will have in aggregate 63.07% equity interest in each of the Kansai Companies. However, the Company will not be in control of their board of directors after completion of the Further Acquisitions.

The total consideration of the Further Acquisitions amount to RMB57,990,000 (approximately HK\$54,481,397) in cash which has been arrived at after arm's length negotiations between the parties involved and represents a 9.7% premium to each of the respective business valuations of Shanghai Kansai and Tianjin Kansai as conducted by the Independent Valuer as at 31st July 2003. The total consideration will be satisfied by internal resources of the Group.

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

Upon completion of the Further Acquisitions, the Kansai Companies will become non wholly-owned subsidiaries of the Company under the Listing Rules but will be treated as jointly controlled entities and be equity accounted for in the accounts of the Company.

COSCO is the ultimate controlling shareholder of the Company. COSCO Pacific, Florens and Tianjin Transport are subsidiaries of COSCO. Thus, the Further Acquisitions constitute connected transactions for the Company.

Ongoing Connected Transactions

The principal business of each of Shanghai Kansai and Tianjin Kansai is the manufacture and sale of Container Paint, Vessel Paint and Anti-Corrosion Paint. On 19th January 1996, Japan Kansai and Shanghai Kansai entered into the Shanghai Kansai Technology Transfer Contract whereby Japan Kansai agreed to provide all necessary technology and know-how relating to the manufacture of Container Paint, Vessel Paint and Anti-Corrosion Paint to Shanghai Kansai in return for fees to be paid by Shanghai Kansai. Such fees consist of a one-off initial technology transfer fee and the annual technology usage fee. The technology usage fee for the years 2003 to 2007 shall be charged at the rate of 0.75% of the net sales revenue of Shanghai Kansai.

On 18th December 1991, Japan Kansai entered into the Tianjin Kansai Technology Transfer Contract with Tianjin Kansai whereby Japan Kansai agreed to provide all necessary technology and know-how relating to the manufacture of Container Paint, Vessel Paint and Anti-Corrosion Paint to Tianjin Kansai in return for fees to be paid by Tianjin Kansai. Such fees consist of a one-off initial technology transfer fee and the annual technology usage fee. The technology usage fee for the years 2003 to 2007 shall be charged at the rate of 0.5% of the net sales revenue of Tianjin Kansai.

Shanghai Kansai and Tianjin Kansai have been purchasing raw materials involved in the production of Container Paint, Vessel Paint and Anti-Corrosion Paint from members of the Kansai Group since 1997 and 1993 respectively. All such purchases by the Kansai Companies of raw materials from the Kansai Group have been conducted in the ordinary and usual course of business of the Kansai Companies and were on normal commercial terms.

Since 1997, the Kansai Companies have been selling Container Paint and Vessel Paint manufactured by them to members of the COSCO Group. All such sales of Container Paint and Vessel Paint have been conducted in the ordinary and usual course of business of the Kansai Companies and were on normal commercial terms.

In the course of their ordinary business, members of the COSCO Group and the Kansai Group will make recommendations to their customers of the products manufactured by the Kansai Companies. Each of Shanghai Kansai and Tianjin Kansai in turn pays commission to such members of the COSCO Group and the Kansai Group for the businesses introduced by them. Depending on the categories and quantities of paint sold, the rates of such commissions vary from 3% to 10% of the invoice values of the paint sold and are in line with market rates.

As Japan Kansai has 23.67% equity interest in each of Shanghai Kansai and Tianjin Kansai, the transactions conducted under the Shanghai Kansai Technology Transfer Contract and the Tianjin Kansai Technology Transfer Contract, the aforesaid purchases of raw materials by the Kansai Companies from the Kansai Group, and the payment of commission by the Kansai Companies to members of the Kansai Group for the businesses introduced by them, will constitute connected transactions for the Company under Chapter 14 of the Listing Rules.

As the Company will, upon completion of the Further Acquisitions (on the assumption that the Previous Acquisitions have been completed), have 63.07% equity interest in each of Shanghai Kansai and Tianjin Kansai, the sale of Container Paint and Vessel Paint by the Kansai Companies to the COSCO Group, and the payment of commission by the Kansai Companies to members of the COSCO Group for the businesses introduced by them, will constitute connected transactions for the Company under Chapter 14 of the Listing Rules.

It is anticipated that the Kansai Companies will continue to engage in the aforesaid connected transactions on an ongoing basis with members of the COSCO Group and the Kansai Group. Such connected transactions between the Kansai Companies and the COSCO Group and the Kansai Group will constitute ongoing connected transactions for the Company. The Company has applied to the Stock Exchange for waivers from strict compliance with the requirements of Chapter 14 of the Listing Rules for such ongoing connected transactions.

A circular containing, among other things, further details of the Further Acquisitions and the Ongoing Connected Transactions, 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 in relation to the resolutions approving the Further Acquisitions and all types of the ongoing connected transactions under the section headed Ongoing Connected Transactions and the relevant caps.

THE 1ST SK AGREEMENT DATED 25TH NOVEMBER 2003

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

Equity Interest to be acquired

The Company will have 34.19% equity interest in Shanghai Kansai upon completion of the Shanghai Kansai Agreement details of which were contained in the Circular and have been approved by the Independent Shareholders at the SGM. Under the 1st SK Agreement, the Company shall purchase a further 20% equity interest in Shanghai Kansai. Notwithstanding that the Company will have 63.07% equity interest in Shanghai Kansai upon completion of the 1st SK Agreement (on the assumption that the Shanghai Kansai Agreement and the 2nd SK Agreement have been completed), the Company will not be in control of its board of directors after completion of the Further Acquisitions. Shanghai Kansai will become a non wholly-owned subsidiary of the Company under the Listing Rules but will be treated as a jointly controlled entity and be equity accounted for in the accounts of the Company. Completion of the 1st SK Agreement is not subject to completion of the Previous Acquisitions.

Consideration

The consideration for the purchase of the 20% equity interest in Shanghai Kansai is RMB19,959,000 (approximately HK\$18,751,409). The Company shall pay such consideration on the date of completion of the 1st SK Agreement (which shall not be later than 1 month from 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 transfer under the 1st SK Agreement). Such consideration has been determined after arm's length negotiation between the parties thereto and is based on 20% of 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 consideration for the purchase of 20% equity interest in Shanghai Kansai represents a 12.1% premium to the Independent Valuer's business valuation. Such consideration shall be paid by the Company in cash in Hong Kong dollars and will be funded by internal resources of the Group.

COSCO Pacific, on the basis of its 20% equity interest in Shanghai Kansai, shall be entitled to share in (i) the shareholders' distributable profits of Shanghai Kansai generated in the period from 1st August 2003 to the date of signing of the 1st SK Agreement; and (ii) the shareholders' distributable profits of Shanghai Kansai declared by the board of directors of Shanghai Kansai before 1st August 2003 (including those profits declared for distribution but unpaid as at the date of signing of the 1st SK Agreement). Save and except the above, the Company shall be entitled to share in all the other shareholders' distributable profits of Shanghai Kansai on the basis of the 20% equity interest in Shanghai Kansai to be acquired from COSCO Pacific under the 1st SK Agreement. The Company shall procure the auditors of Shanghai Kansai to conduct assessment on COSCO Pacific's aforesaid share of distributable profits after the board of directors of Shanghai Kansai has passed a resolution for distribution of the relevant shareholders' distributable profits.

Conditions precedent

The 1st SK Agreement is conditional upon, among other things, the following conditions precedent being fulfilled or waived by the Company on or before 31st March 2004:

1. the equity interest transfer having been approved unanimously by the board of directors of Shanghai Kansai;
2. all other shareholders of Shanghai Kansai having issued documents agreeing to the transactions contemplated under the 1st SK Agreement, and waiving their respective pre-emptive rights;
3. both parties to the 1st SK Agreement and other relevant parties having executed all necessary contracts, agreements and other relevant documents relating to the equity interest transfer under the 1st SK Agreement and Shanghai Kansai 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 Kansai (if any);
4. the passing by the Independent Shareholders of an ordinary resolution approving the 1st SK Agreement and the transactions contemplated under the 1st SK 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
5. the issuing of a legal opinion by a firm of PRC lawyers designated by the Company confirming the fulfilment of all the conditions set out in paragraph 3 above.

In the event that any of the aforesaid conditions precedent is not fulfilled or waived by the Company on or before 31st March 2004 or such later date as the parties to the 1st SK Agreement may agree in writing, the 1st SK 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 1st SK Agreement shall take place within 15 working days after all the conditions precedent under the 1st SK Agreement have been fulfilled (unless waived by the Company) or such other date as the parties thereto may agree in writing.

THE 2ND SK AGREEMENT DATED 25TH NOVEMBER 2003

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

Equity Interest to be acquired

Under the 2nd SK Agreement, the Company shall purchase a further 8.88% equity interest in Shanghai Kansai. Upon completion of the 2nd SK Agreement, the Company will have 63.07% equity interest in Shanghai Kansai (on the assumption that the Shanghai Kansai Agreement and the 1st SK Agreement have been completed). Completion of the 2nd SK Agreement is not subject to completion of the Previous Acquisitions.

Consideration

The consideration for the purchase of the 8.88% equity interest in Shanghai Kansai is RMB8,243,000 (approximately HK\$7,744,269). The Company shall pay such consideration on the date of completion of the 2nd SK Agreement (which shall not be later than 1 month from 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 transfer under the 2nd SK Agreement). Such consideration has been determined after arm's length negotiation between the parties thereto and is based on 8.88% of 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 consideration for the purchase of 8.88% equity interest in Shanghai Kansai represents a 4.3% premium to the Independent Valuer's business valuation. Such consideration shall be paid by the Company in cash in United States dollars and will be funded by internal resources of the Group.

Conditions precedent

The 2nd SK Agreement is conditional upon, among other things, the following conditions precedent being fulfilled or waived by the Company on or before 31st March 2004:

- the equity interest transfer having been approved unanimously by the board of directors of Shanghai Kansai;
- all other shareholders of Shanghai Kansai having issued documents agreeing to the transactions contemplated under the 2nd SK Agreement, and waiving their respective pre-emptive rights;
- both parties to the 2nd SK Agreement and other relevant parties having executed all necessary contracts, agreements and other relevant documents relating to the equity interest transfer under the 2nd SK Agreement and Shanghai Kansai 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 Kansai (if any);
- the passing by the Independent Shareholders of an ordinary resolution approving the 2nd SK Agreement and the transactions contemplated under the 2nd SK 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 confirming the fulfilment and/or waiver of all the conditions set out in paragraphs 1, 2 and 3 above.

In the event that any of the aforesaid conditions precedent is not fulfilled or waived by the Company on or before 31st March 2004 or such later date as the parties to the 2nd SK Agreement may agree in writing, the 2nd SK Agreement shall terminate automatically and no party shall have any claim against the other, save in respect of any antecedent breach.

The 1st SK Agreement and the 2nd SK Agreement are not inter-conditional.

Completion

Completion of the 2nd SK Agreement shall take place within 15 working days after all the conditions precedent under the 2nd SK Agreement have been fulfilled (unless waived by the Company).

THE 1ST TK AGREEMENT DATED 25TH NOVEMBER 2003

Parties: Purchaser: The Company

Vendor: Florens, a non wholly-owned subsidiary of COSCO

Equity Interest to be acquired

The Company will have 34.19% equity interest in Tianjin Kansai upon completion of the Tianjin Kansai Agreement details of which were contained in the Circular and have been approved by the Independent Shareholders at the SGM. Under the 1st TK Agreement, the Company shall purchase a further 20% equity interest in Tianjin Kansai. Notwithstanding that the Company will have 63.07% equity interest in Tianjin Kansai upon completion of the 1st TK Agreement (on the assumption that the Tianjin Kansai Agreement and the 2nd TK Agreement have been completed), the Company will not be in control of its board of directors after completion of the Further Acquisitions. Tianjin Kansai will become a non wholly-owned subsidiary of the Company under the Listing Rules but will be treated as a jointly controlled entity and be equity accounted for in the accounts of the Company. Completion of the 1st TK Agreement is not subject to completion of the Previous Acquisitions.

Consideration

The consideration for the purchase of 20% equity interest in Tianjin Kansai is RMB21,081,000 (approximately HK\$19,805,524). The Company shall pay such consideration on the date of completion of the 1st TK Agreement (which shall not be later than 1 month from 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 transfer under the 1st TK Agreement). Such consideration has been determined after arm's length negotiation between the parties thereto and is based on 20% of 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 consideration for the purchase of 20% equity interest in Tianjin Kansai represents a 12.1% premium to the Independent Valuer's business valuation. Such consideration shall be paid by the Company in cash in Hong Kong dollars and will be funded by internal resources of the Group.

Florens, on the basis of its 20% equity interest in Tianjin Kansai, shall be entitled to share in (i) the shareholders' distributable profits of Tianjin Kansai generated in the period from 1st August 2003 to the date of signing of the 1st TK Agreement; and (ii) the shareholders' distributable profits of Tianjin Kansai declared by the board of directors of Tianjin Kansai before 1st August 2003 (including those profits declared for distribution but unpaid as at the date of signing of the 1st TK Agreement). Save and except the above, the Company shall be entitled to share in all the other shareholders' distributable profits of Tianjin Kansai on the basis of the 20% equity interest in Tianjin Kansai to be acquired from Florens under the 1st TK Agreement. The Company shall procure the auditors of Tianjin Kansai to conduct assessment on Florens's aforesaid share of distributable profits after the board of directors of Tianjin Kansai has passed a resolution for distribution of the relevant shareholders' distributable profits.

Conditions precedent

The 1st TK Agreement is conditional upon, among other things, the following conditions precedent being fulfilled or waived by the Company on or before 31st March 2004:

- the equity interest transfer having been approved unanimously by the board of directors of Tianjin Kansai;
- all other shareholders of Tianjin Kansai having issued documents agreeing to the transactions contemplated under the 1st TK Agreement, and waiving their respective pre-emptive rights;
- both parties to the 1st TK Agreement and other relevant parties having executed all necessary contracts, agreements and other relevant documents relating to the equity interest transfer under the 1st TK Agreement and Tianjin Kansai 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 Tianjin Kansai (if any);
- the passing by the Independent Shareholders of an ordinary resolution approving the 1st TK Agreement and the transactions contemplated under the 1st TK 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 confirming the fulfilment of all the conditions set out in paragraph 3 above.

In the event that any of the aforesaid conditions precedent is not fulfilled or waived by the Company on or before 31st March 2004 or such later date as the parties to the 1st TK Agreement may agree in writing, the 1st TK 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 1st TK Agreement shall take place within 15 working days after all the conditions precedent under the 1st TK Agreement have been fulfilled (unless waived by the Company) or such other date as the parties thereto may agree in writing.

THE 2ND TK AGREEMENT DATED 25TH NOVEMBER 2003

Parties: Purchaser: The Company

Vendor: Tianjin Transport

Equity Interest to be acquired

Under the 2nd TK Agreement, the Company shall purchase a further 8.88% equity interest in Tianjin Kansai. Upon completion of the 2nd TK Agreement, the Company will have 63.07% equity interest in Tianjin Kansai (on the assumption that the Tianjin Kansai Agreement and the 1st TK Agreement have been completed). Completion of the 2nd TK Agreement is not subject to completion of the Previous Acquisitions.

Consideration

The consideration for the purchase of 8.88% equity interest in Tianjin Kansai is RMB8,707,000 (approximately HK\$8,180,195). The Company shall pay such consideration on the date of completion of the 2nd TK Agreement (which shall not be later than 1 month from 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 transfer under the 2nd TK Agreement). Such consideration has been determined after arm's length negotiation between the parties thereto and is based on 8.88% of 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 consideration for the purchase of 8.88% equity interest in Tianjin Kansai represents a 4.3% premium to the Independent Valuer's business valuation. Such consideration shall be paid by the Company in cash in United States dollars and will be funded by internal resources of the Group.

Conditions precedent

The 2nd TK Agreement is conditional upon, among other things, the following conditions precedent being fulfilled or waived by the Company on or before 31st March 2004:

- the equity interest transfer having been approved unanimously by the board of directors of Tianjin Kansai;
- all other shareholders of Tianjin Kansai having issued documents agreeing to the transactions contemplated under the 2nd TK Agreement, and waiving their respective pre-emptive rights;
- both parties to the 2nd TK Agreement and other relevant parties having executed all necessary contracts, agreements and other relevant documents relating to the equity interest transfer under the 2nd TK Agreement and Tianjin Kansai 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 Tianjin Kansai (if any);
- the passing by the Independent Shareholders of an ordinary resolution approving the 2nd TK Agreement and the transactions contemplated under the 2nd TK 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 confirming the fulfilment and/or waiver of all the conditions set out in paragraphs 1, 2 and 3 above.

In the event that any of the aforesaid conditions precedent is not fulfilled or waived by the Company on or before 31st March 2004 or such later date as the parties to the 2nd TK Agreement may agree in writing, the 2nd TK Agreement shall terminate automatically and no party shall have any claim against the other, save in respect of any antecedent breach.

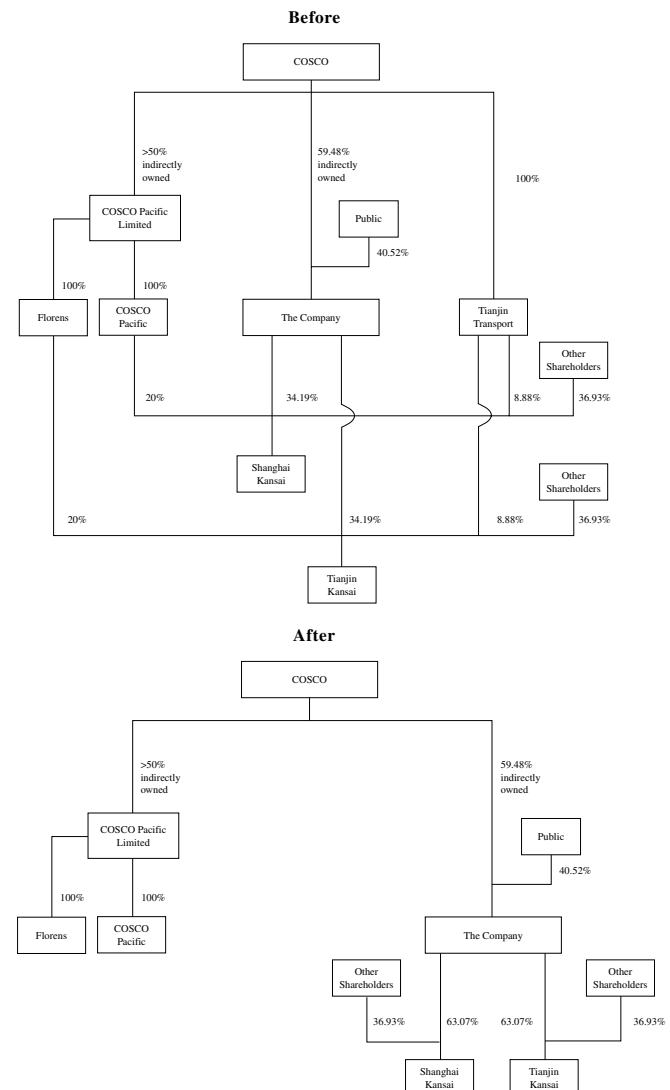
The 1st TK Agreement and the 2nd TK Agreement are not inter-conditional.

Completion

Completion of the 2nd TK Agreement shall take place within 15 working days after all the conditions precedent under the 2nd TK Agreement have been fulfilled (unless waived by the Company).

STRUCTURE OF THE COMPANY

The following charts represent the structure of the Company immediately before and after completion of the Further Acquisitions (on the assumption that the Previous Acquisitions have been completed) :—



INFORMATION ON THE KANSAI COMPANIES

Both of the Kansai 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. Further information of the Kansai Companies were contained in the Circular.

The financial statements of the Kansai Companies were prepared in accordance with PRC generally accepted accounting principles ("PRC GAAP") and audited by PRC certified public accountants for each of the years ended 31st December 2001 and 2002. Such financial statements have been adjusted by the Company, with reference to the findings of the financial due diligence review conducted by PricewaterhouseCoopers and other relevant information available, to be in accordance with Hong Kong generally accepted accounting principles ("HK GAAP"). The table below sets out the profit before and after taxation for the Kansai Companies for the two years ended 31st December 2001 and 2002 respectively and their net tangible assets as at 31st December 2002 (based on the accounts prepared under PRC GAAP and audited by PRC certified public accountants for the years ended 31st December 2001 and 2002, as adjusted by the Company as per the information available and to be in accordance with HK GAAP).

	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

Upon completion of the Further Acquisitions, the Company will further nominate 3 directors to each of the boards of directors of Shanghai Kansai and Tianjin Kansai.

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

The equity joint venture contract of Shanghai Kansai immediately upon completion of the 1st SK Agreement and the 2nd SK Agreement (on the assumption that the Shanghai Kansai Agreement has been completed)

Principal terms:

Party	Registered capital contribution		Percentage of equity interest	No. of directors
	(US\$'000)	(HK\$'000)		
The Company	4,414.9	34,436.2	63.07%	6 (including the chairman)
Japan Kansai	1,656.9	12,923.8	23.67%	2 (including a vice-chairman)
Hong Kong Kansai	445.2	3,472.6	6.36%	1 (vice-chairman)
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%	11

The Company, Japan Kansai, Hong Kong Kansai and Nissho Iwai made their capital contribution in cash in foreign currency whilst Bao Shan made its capital contribution by land.

The other principal terms of the equity joint venture contract of Shanghai Kansai as disclosed in the Circular will remain unchanged.

The equity joint venture contract of Tianjin Kansai immediately upon completion of the 1st TK Agreement and the 2nd TK Agreement (on the assumption that the Tianjin Kansai Agreement has been completed)

Principal terms:

Party	Registered capital contribution		Percentage of equity interest	No. of directors
	(US\$'000)	(HK\$'000)		
The Company	3,153.5	24,597.3	63.07%	6 (including the chairman)
Japan Kansai	1,183.5	9,231.3	23.67%	2 (including a vice-chairman)
Hong Kong Kansai	318.0	2,480.4	6.36%	1 (vice-chairman)
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%	11

The other principal terms of the equity joint venture contract of Tianjin Kansai as disclosed in the Circular will remain unchanged.

REASONS FOR ENTERING INTO THE AGREEMENTS

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

The Company will have 34.19% equity interest in each of the Kansai Companies upon completion of the Previous Acquisitions, details of which were contained in the Circular and have been approved by the Independent Shareholders at the SGM. Following the entering into of the Previous Acquisitions, the Directors note that the performance of the Kansai Companies was encouraging. As was stated in the Circular, it is the Company's intention to increase its investment in the paint business and to increase its equity interests in the Kansai Companies when opportunities arise. Thus, as to adhere to this business intent, the Directors consider that the entering into of the Further Acquisitions will enable the Company to consolidate its interests in the Kansai Companies and to facilitate further co-operative opportunities between the Group and other shareholders of the Kansai Companies.

As was stated in the Circular, the Company would continue to increase its investment in the paint business.

ONGOING CONNECTED TRANSACTIONS

Shanghai Kansai and Tianjin Kansai have entered into the following types of transactions with the following connected persons of the Group, and such transactions will continue on an ongoing basis.

1. Technology transfer contracts

- On 19th January 1996, Japan Kansai entered into the Shanghai Kansai Technology Transfer Contract with Shanghai Kansai whereby Japan Kansai agreed to provide all necessary technology and know-how relating to the manufacture of Container Paint, Vessel Paint and Anti-Corrosion Paint to Shanghai Kansai in return for fees to be paid by Shanghai Kansai. The Shanghai Kansai Technology Transfer Contract shall remain in force during the subsistence of the equity joint venture contract of Shanghai Kansai which is due to expire in 2015. The fees to be paid by Shanghai Kansai consist of a one-off initial technology transfer fee and an annual technology usage fee. The annual technology usage fee for the years 2003 to 2007 and 2008 to 2015 shall respectively be charged at the rates of 0.75% and 0.5% of the net sales revenue of Shanghai Kansai.

- On 18th December 1991, Japan Kansai entered into the Tianjin Kansai Technology Transfer Contract with Tianjin Kansai whereby Japan Kansai agreed to provide all necessary technology and know-how relating to the manufacture of Container Paint, Vessel Paint and Anti-Corrosion Paint to Tianjin Kansai in return for fees to be paid by Tianjin Kansai. The Tianjin Kansai Technology Transfer Contract shall remain in force during the subsistence of the equity joint venture contract of Tianjin Kansai which is due to expire in 2007. The fees to be paid by Tianjin Kansai consist of an one-off initial technology transfer fee and an annual technology usage fee. The technology usage fee for the years 2003 to 2007 shall be charged at the rate of 0.5% of the net sales revenue of Tianjin Kansai.

2. Purchase of raw materials

Shanghai Kansai and Tianjin Kansai have been purchasing raw materials involved in the production of Container Paint, Vessel Paint and Anti-Corrosion Paint from members of the Kansai Group since 1997 and 1993 respectively. All such purchases by Shanghai Kansai and Tianjin Kansai of raw materials from the Kansai Group have been conducted in the ordinary and usual course of business of Shanghai Kansai and Tianjin Kansai and were on normal commercial terms.

The Kansai Group accounted for RMB26.57 million (approximately HK\$24.96 million) representing 8.13% of the total purchases of raw materials by the Kansai Companies for the year ended 31st December 2002.

3. Sale of Container Paint and Vessel Paint

Since 1997, Shanghai Kansai and Tianjin Kansai have been selling Container Paint and Vessel Paint manufactured by them to members of the COSCO Group. All such sales of Container Paint and Vessel Paint have been conducted in the ordinary and usual course of business of Shanghai Kansai and Tianjin Kansai and were on normal commercial terms. Details of sale of Container Paint and Vessel Paint by the Kansai Companies to the COSCO Group for the year ended 31st December 2002 were contained in the Circular.

4. Commissions to COSCO Group

In the course of their ordinary business, members of the COSCO Group will from time to time make recommendations to their customers of the products manufactured by the Kansai Companies. Each of Shanghai Kansai and Tianjin Kansai in turn pays commission to such members of the COSCO Group for the businesses introduced by them. Depending on the categories and quantities of paint sold, the rates of such commissions vary from 3% to 10% of the invoice values of the paint sold and are in line with market rates.

5. Commissions to Kansai Group

In the course of their ordinary business, members of the Kansai Group will from time to time make recommendations to their customers of the products manufactured by the Kansai Companies. Each of Shanghai Kansai and Tianjin Kansai in turn pays commission to such members of the Kansai Group for the businesses introduced by them. Depending on the categories and quantities of paint sold, the rates of such commissions vary from 3% to 10% of the invoice values of the paint sold and are in line with market rates.

The following is a summary of the historical transaction amounts of each type of Ongoing Connected Transactions for the three years ended 31st December 2002:

Transaction	Amount (HK\$'000)	% of the Group's net tangible assets turnover for the year ended 31st December 2000	Amount (HK\$'000)	% of the Group's net tangible assets turnover for the year ended 31st December 2001	Amount (HK\$'000)	% of the Group's net tangible assets turnover for the year ended 31st December 2002
Annual technology usage fee payable by the Kansai Companies to Japan Kansai	4,121/0.28%	0.24%	4,082/0.22%	0.26%	3,789/0.65%	0.39%
Purchase of raw materials by the Kansai Companies from Kansai Group	13,296/0.90%	0.78%	13,949/0.76%	0.90%	24,965/4.28%	2.59%
Sale of Container Paint and Vessel Paint by the Kansai Companies to COSCO Group	111,927/7.60%	6.57%	140,970/7.64%	9.14%	181,958/31.18%	18.86%
Commission paid by the Kansai Companies to COSCO Group	6,272/0.43%	0.37%	11,940/0.65%	0.77%	11,047/1.89%	1.15%
Commission paid by the Kansai Companies to Kansai Group	10,200/0.69%	0.60%	8,800/0.48%	0.57%	6,974/1.20%	0.72%

Reasons for and benefits of the Ongoing Connected Transactions

The Directors believe that the Ongoing Connected Transactions are conducted in the usual and ordinary course of business of each of Shanghai Kansai and Tianjin Kansai, and are based on normal commercial terms. The Directors consider it to be in the interest of the Company to continue engaging in the Ongoing Connected Transactions as it would help to enhance the quality of the products of the Kansai Companies and increase the market share of their products.

Disclosure requirements and reasons for the waiver

Under Chapter 14 of the Listing Rules, the Ongoing Connected Transactions will constitute connected transactions of the Company. Unless applicable exemptions under the Listing Rules apply, the Ongoing Connected Transactions would normally require disclosure by way of press announcement, circular to Shareholders and prior approval by Independent Shareholders in a general meeting, as the case may be, each time such transactions occur.

In the opinion of the Directors, the Ongoing Connected Transactions are conducted in the Group's ordinary and usual course of business, on normal commercial terms and are of a recurrent nature. It would be impractical and unduly onerous for the Company to make disclosure or, if necessary, to obtain the approval of the Independent Shareholders on each occasion the transactions arise.

The Company has made an application for a waiver from strict compliance with the requirements of Chapter 14 of the Listing Rules to the issue of press announcement and/or the approval by the Independent Shareholders regarding the Ongoing Connected Transactions on each and every occasion they arise for a period of three financial years ending 31st December 2003, 2004 and 2005 respectively subject to the following conditions:

- approval by the Independent Shareholders at a special general meeting to be held and the COSCO Group and its associates will abstain from voting in relation to all types of the ongoing connected transactions under the section headed Ongoing Connected Transactions;
- that the Ongoing Connected Transactions shall be:
 - conducted in the ordinary and usual course of business of the Group;
 - conducted on normal commercial terms; and
 - entered into in accordance with the terms of the relevant technology transfer/purchase/sale/commission agreements;

- (c) the aggregate amount of the following Ongoing Connected Transactions for each of the three financial years ending 31st December 2003, 2004 and 2005 of the Group shall not exceed the relevant cap amount ("Cap Amount") as set out below which are derived from the forecasted scale of operations of the Group for the years of 2003 to 2005:—

Transaction	Parties	Cap Amount (per annum) (HK\$'000)	% of the Group's net tangible assets for the year ended 31st December 2002
Annual technology usage fee payable by the Kansai Companies to Japan Kansai	Japan Kansai and the Kansai Companies	4,000	0.41%
Purchase of raw materials by the Kansai Companies from Kansai Group	Kansai Group and the Kansai Companies	44,000	4.56%
Sale of Container Paint and Vessel Paint by the Kansai Companies to COSCO Group	COSCO Group and the Kansai Companies	178,000	18.45%
Commission paid by the Kansai Companies to COSCO Group	COSCO Group and the Kansai Companies	11,000	1.14%
Commission paid by the Kansai Companies to Kansai Group	Kansai Group and the Kansai Companies	5,000	0.52%

- (d) the independent non-executive Directors shall review the agreements in connection with the Ongoing Connected Transactions annually and confirm in the Company's annual reports for each of the financial years that the Ongoing Connected Transactions have been conducted in the manner as stated in paragraphs (a), (b) and (c) above;

- (e) the auditors of the Company shall review the Ongoing Connected Transactions annually and confirm in a letter to the Board, a copy of which shall be provided to the Stock Exchange, stating whether:

- the Ongoing Connected Transactions have received the approval of the Board;
- the Ongoing Connected Transactions have been entered into in accordance with the terms of the relevant technology transfer/sale/purchase/commission agreements; and
- the cap amounts of the Ongoing Connected Transactions as stated in (c) above for any relevant financial year have not been exceeded.

Where, for whatever reason, the auditors decline to accept the engagement or are unable to provide the letter referred to above, the Directors shall contact the Stock Exchange immediately;

- (f) details of the Ongoing Connected Transactions in each financial year as required under Rule 14.25(1)(A) to (D) of the Listing Rules shall be disclosed as required under Chapter 14 of the Listing Rules in the annual report of the Company for that financial year together with a statement of the opinion of the independent non-executive Directors referred to in paragraph (d) above; and

- (g) the Company shall undertake to the Stock Exchange that, for so long as the shares of the Company are listed on the Stock Exchange, it will provide or procure the provision to the Company's auditors with full access to the relevant records for the purpose of the auditors' review of the Ongoing Connected Transactions referred to in paragraph (e) above.

GENERAL

As COSCO Pacific, Florens and Tianjin Transport 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.

As Japan Kansai has 23.67% equity interest in each of Shanghai Kansai and Tianjin Kansai, the transactions contemplated under the Shanghai Kansai Technology Transfer Contract and the Tianjin Kansai Technology Transfer Contract, the purchases of raw materials by Shanghai Kansai and Tianjin Kansai from the Kansai Group, and the payment of commission by the Kansai Companies to members of the Kansai Group for the businesses introduced by them, will constitute ongoing connected transactions for the Company under Chapter 14 of the Listing Rules.

As the Company will, upon completion of the Further Acquisitions (on the assumption that the Previous Acquisitions have been completed), have 63.07% equity interest in each of Shanghai Kansai and Tianjin Kansai, the sale of Container Paint and Vessel Paint by the Kansai Companies to the COSCO Group, and the payment of commission by the Kansai Companies to members of the COSCO Group for the businesses introduced by them, will constitute connected transactions for the Company under Chapter 14 of the Listing Rules.

The Kansai Group and its associates have no interests in any shares of the Company.

Mr. Alexander Reid Hamilton, one of the two independent non-executive Directors, is also an independent non-executive director of COSCO Pacific Limited, the holding company of COSCO Pacific and Florens, the vendors under the 1st SK Agreement and the 1st TK Agreement respectively, thus only Mr. Chan Cheong Foon, Andrew has been appointed as the Independent Director to advise the Independent Shareholders in respect of the Further Acquisitions and the Ongoing Connected Transactions. DBS Asia Capital Limited has been appointed as the independent financial adviser to advise the Independent Director regarding the Further Acquisitions and the Ongoing Connected Transactions. True Smart and COSCO Investments and their respective associates will abstain from voting in relation to the resolutions approving the Further Acquisitions and all types of the ongoing connected transactions under the section headed Ongoing Connected Transactions.

A circular containing, among other things, further details of the Further Acquisitions and the Ongoing Connected Transactions, 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:

"Agreements"	the 1st SK Agreement, the 2nd SK Agreement, the 1st TK Agreement and the 2nd TK Agreement
"Anti-Corrosion Paint"	the anti-corrosion paint manufactured by the Kansai Companies principally for use in heavy industries
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Bao Shan"	上海市寶山區廟村工業公司 (Shanghai Baoshan Gucun Industry Company), a company incorporated under the laws of the PRC
"Board"	the board of Directors
"Circular"	the Circular of the Company dated 2nd September 2003 relating to its purchase of, among others, 34.19% equity interests in each of the Kansai Companies
"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 Kansai 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"	中遠太平洋(中國)投資有限公司 (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 (佛羅倫實業有限公司), 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
"Further Acquisitions"	the acquisition by the Company from the respective vendors of:— (i) 28.88% of the equity interest of Shanghai Kansai; and (ii) 28.88% of the equity interest of Tianjin Kansai, pursuant to the Agreements
"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 (關西塗料香港有限公司), 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 Further Acquisitions and the Ongoing Connected Transactions
"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. (日本關西塗料株式會社), a company registered in Osaka, Japan
"Kansai Companies"	Shanghai Kansai and Tianjin Kansai
"Kansai Group"	Japan Kansai and its subsidiaries
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Nissho Iwai"	Nissho Iwai Corporation (日商岩井株式會社), a company registered in Osaka, Japan
"Ongoing Connected Transactions"	the ongoing connected transactions between Shanghai Kansai, Tianjin Kansai, the COSCO Group and Kansai Group as set out in the paragraph headed "Ongoing Connected Transactions"
"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
"Previous Acquisitions"	the acquisition by the Company from the respective vendors of:— (i) 34.19% of the equity interest of Shanghai Kansai; and (ii) 34.19% of the equity interest of Tianjin Kansai, pursuant to the Shanghai Kansai Agreement and the Tianjin Kansai Agreement
"RMB"	Renminbi, the lawful currency of the PRC
"SGM"	the special general meeting of the Company held at 10:00 a.m., on Tuesday, 23rd September 2003 at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong
"Shanghai Kansai"	Shanghai COSCO Kansai Paint & Chemicals Co., Ltd. (上海中遠關西塗料化工有限公司), a sino-foreign equity joint venture enterprise established under the laws of the PRC which is owned, among others, as to 23.67% by Japan Kansai, 20% by COSCO Pacific and 8.88% by Tianjin Transport
"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
"Shanghai Kansai Technology Transfer Contract"	the technology transfer contract dated 19th January 1996 entered into by Japan Kansai and Shanghai Kansai
"Shareholder(s)"	the holder(s) of the share(s) of the Company
"Shen-John"	Shen-John Investment Company L.L.C. (申一約翰投資有限公司), a company incorporated in the United States and a wholly-owned subsidiary of COSCO
"1st SK Agreement"	the conditional sale and purchase agreement dated 25th November 2003 entered into by COSCO Pacific and the Company relating to the purchase of 20% equity interest in Shanghai Kansai by the Company
"2nd SK Agreement"	the conditional sale and purchase agreement dated 25th November 2003 entered into by Tianjin Transport and the Company relating to the purchase of 8.88% equity interest in Shanghai Kansai by the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tianjin Kansai"	Tianjin COSCO Kansai Paint & Chemicals Co., Ltd. (天津中遠關西塗料化工有限公司), a sino-foreign equity joint venture enterprise established under the laws of the PRC which is owned, among others, as to 23.67% by Japan Kansai, 20% by Florens and 8.88% by Tianjin Transport
"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 Kansai Technology Transfer Contract"	the technology transfer contract dated 18th December 1991 entered into by Japan Kansai and Tianjin Kansai
"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
"1st TK Agreement"	the conditional sale and purchase agreement dated 25th November 2003 entered into by Florens and the Company relating to the purchase of 20% equity interest in Tianjin Kansai by the Company
"2nd TK Agreement"	the conditional sale and purchase agreement dated 25th November 2003 entered into by Tianjin Transport and the Company relating to the purchase of 8.88% equity interest in Tianjin Kansai by the Company
"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 Kansai Companies for use in vessels
"working day"	a day on which licensed banks in Hong Kong and Beijing, the PRC are generally open for business (excluding Saturday, Sunday and public holidays in both places)
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, 25th November 2003