



COSCO International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 0517)

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 25th May 2005 and the circular of the Company dated 15th June 2005 containing details of, inter alia, the transactions under the Previous Conditional Master Sales Agreement entered into between the Kansai Companies and NKM on 25th May 2005 whereby the Kansai Companies had agreed to sell container coatings and marine coatings to NKM for a term of 10 months commencing on 1st March 2005 and expiring on 31st December 2005. The transactions under the Previous Conditional Master Sales Agreement and its related cap were approved by the independent Shareholders at the special general meeting of the Company held on 21st July 2005.

As the term of the Previous Conditional Master Sales Agreement has expired on 31st December 2005 and in order to comply with the requirements under the Listing Rules, the Kansai Companies, both being subsidiaries of the Company, entered into the Conditional Master Sales Agreement with NKM on 19th June 2006 whereby the Kansai Companies agreed to sell container coatings and marine coatings to NKM for a further term of 2 years commencing on 1st January 2006 and expiring on 31st December 2007.

As each of the Kansai Companies is owned as to 63.07% equity interest by the Company and 35.29% equity interest by Japan Kansai and by virtue of Japan Kansai's more than 10% equity interest in the Kansai Companies, Japan Kansai is a connected person of the Company. NKM is an associate of Japan Kansai and is thus a connected person of the Company under the Listing Rules. Accordingly, the transactions between each of the Kansai Companies and NKM constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. However, as the applicable percentage ratios for transactions under the Conditional Master Sales Agreement on an annual basis exceed 0.1% but do not exceed 2.5%, the transactions under the Conditional Master Sales Agreement are thus subject to reporting and announcement requirements under Rule 14A.45 to 14A.47 of the Listing Rules but are exempt from independent Shareholders' approval requirements under Rules 14A.34.

BACKGROUND

Reference is made to the announcement of the Company dated 25th May 2005 and the circular of the Company dated 15th June 2005 containing details of, inter alia, the transactions under the Previous Conditional Master Sales Agreement entered into between the Kansai Companies and NKM on 25th May 2005 whereby the Kansai Companies had agreed to sell container coatings and marine coatings to NKM for a term of 10 months commencing on 1st March 2005 and expiring on 31st December 2005. The transactions under the Previous Conditional Master Sales Agreement and its related cap were approved by the independent Shareholders at the special general meeting of the Company held on 21st July 2005.

CONTINUING CONNECTED TRANSACTIONS

As the term of the Previous Conditional Master Sales Agreement has expired on 31st December 2005 and in order to comply with the requirements under the Listing Rules, the Kansai Companies entered into the following agreement with NKM which constitute continuing connected transactions for the Company under the Listing Rules and the major terms and conditions of which are similar to that of the Previous Conditional Master Sales Agreement:-

The Conditional Master Sales Agreement

Date:	19th June 2006								
Parties:	(1) NKM (2) Shanghai Kansai (3) Tianjin Kansai								
Term:	From 1st January 2006 and expiring on 31st December 2007								
Nature of Transaction:	The Kansai Companies will from time to time sell container coatings and marine coatings manufactured by them to NKM.								
Pricing:	The container coatings and marine coatings will be sold to NKM by the Kansai Companies at preferential rates. Such preferential rates will also apply to sales to other independent third parties except for odd size orders. In the event that the services were to be provided by the Kansai Companies to NKM for the use of such container coatings and marine coatings for the repairs of ships at docks, the Kansai Companies will also charge a further 2% of the total costs of repairs of ships at the docks for such services. Usually, the Kansai Companies do not levy charge on such kind of services provided to other independent third parties.								
Annual Cap:	The Directors anticipate that the amount of sales under the Conditional Master Sales Agreement for each of the financial years ending 31st December 2006 and 2007 will not exceed RMB10,000,000 (approximately HK\$9,670,000).								
Basis of Annual Cap:	(1) Historical figures of the sale of container coatings and marine coatings by the Kansai Companies to NKM are as follows: <table border="0" style="margin-left: 20px;"> <tr> <td colspan="2" style="text-align: center;">Total amount of sales to NKM</td> </tr> <tr> <td>Financial Year ended 31st December 2003</td> <td>RMB Nil</td> </tr> <tr> <td>Financial Year ended 31st December 2004</td> <td>RMB Nil</td> </tr> <tr> <td>Financial Year ended 31st December 2005</td> <td>RMB5,084,000 (approximately HK\$4,917,000)</td> </tr> </table>	Total amount of sales to NKM		Financial Year ended 31st December 2003	RMB Nil	Financial Year ended 31st December 2004	RMB Nil	Financial Year ended 31st December 2005	RMB5,084,000 (approximately HK\$4,917,000)
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Financial Year ended 31st December 2005	RMB5,084,000 (approximately HK\$4,917,000)								
	(2) No sales of container coatings and marine coatings were made to NKM for the two years ended 31st December 2003 and 2004. The proposed annual cap amount was arrived at based on the forecast of the amount of such type of transactions for each of the two years ending 31st December 2006 and 2007 and taking into account the actual amount of sales to NKM for the year ended 31st December 2005 in the amount of RMB5,084,000 (approximately HK\$4,917,000).								

- (3) In determining the annual cap amount for each of the two years ending 31st December 2006 and 2007, the Company has (i) examined and compared the audited accounts of the Kansai Companies for the year ended 31st December 2004 and the audited accounts of the Kansai Companies for the year ended 31st December 2005; (ii) discussed with the management of the Kansai Companies on the forecasts of the annual cap for the transactions under the Conditional Master Sales Agreement; (iii) taken into account the annual cap amount for the financial year ended 31st December 2005 in the amount of RMB10,000,000 (approximately HK\$9,670,000) and the upcoming possible sales amount to NKM during 2006 and 2007.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

By entering into the Conditional Master Sales Agreement, the Group will be able to maintain and gain advantage of the sales networks of both the COSCO Group and the Kansai Group.

The Directors (including the independent non-executive Directors) believe that the transactions under the Conditional Master Sales Agreement are conducted in the usual and ordinary course of business of each of the Kansai Companies, and are based on normal commercial terms. The Directors (including the independent non-executive Directors) consider that the terms of the Conditional Master Sales Agreement are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

LISTING RULES REQUIREMENTS

As each of the Kansai Companies is owned as to 63.07% equity interest by the Company and 35.29% equity interest by Japan Kansai and by virtue of Japan Kansai's more than 10% equity interest in the Kansai Companies, Japan Kansai is a connected person of the Company. NKM is an associate of Japan Kansai and is thus a connected person of the Company under the Listing Rules. Accordingly, the transactions between each of the Kansai Companies and NKM constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. However, as the applicable percentage ratios for transactions under the Conditional Master Sales Agreement on an annual basis exceed 0.1% but do not exceed 2.5%, the transactions under the Conditional Master Sales Agreement are thus subject to reporting and announcement requirements under Rule 14A.45 to 14A.47 of the Listing Rules but are exempt from independent Shareholders' approval requirements under Rules 14A.34.

GENERAL

The Group is principally engaged in ship trading and supplying services, other business operations include property development and property investment.

The Kansai Companies are principally engaged in the manufacturing and sale of marine coatings, container coatings, anti-corrosion coatings and the petro-chemical products in relation thereto.

Japan Kansai is principally engaged in the provision of technologies and listed on the Stock Exchange of Tokyo. By virtue of Japan Kansai's more than 10% equity interest in the Kansai Companies, Japan Kansai is a connected person of the Company. So far as the Board is aware, save for its interests in the Kansai Companies, Japan Kansai and its associates (as defined under the Listing Rules) have no interests in any shares of the Company or its subsidiaries.

NKM is principally engaged in the businesses of provision of technologies and environmental-friendly products relating to marine coating business worldwide.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	COSCO International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Conditional Master Sales Agreement”	the conditional master sales agreement entered into between the Kansai Companies and NKM on 19th June 2006, further details of which are set out in this announcement

“COSCO Group”	中國遠洋運輸（集團）總公司（China Ocean Shipping (Group) Company*), the ultimate holding company of the Company and a company incorporated in the PRC and its subsidiaries (other than the Group)
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Japan Kansai”	Kansai Paint Co., Ltd. (日本關西塗料株式會社), a company registered in Osaka, Japan and listed on the Stock Exchange of Tokyo, beneficial owner of 35.29% equity interest in each of the Kansai Companies
“Kansai Companies”	Shanghai Kansai and Tianjin Kansai
“Kansai Group”	Japan Kansai, its subsidiaries and its associates
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“NKM”	NKM Coatings Co. Ltd., a company registered in Kyoto, Japan and Japan Kansai held more than 30% of its equity interest
“Previous Conditional Master Sales Agreement”	the conditional master sales agreement entered into between the Kansai Companies and NKM on 25th May 2005
“PRC”	the People's Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“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 under the laws of the PRC which is owned, among others, as to 63.07% equity interest by the Company and 35.29% equity interest by Japan Kansai
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the share(s) of 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 63.07% equity interest by the Company and 35.29% equity interest by Japan Kansai
“%”	per cent.

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

19th June 2006

As at the date hereof, the Board comprises of fourteen directors of which Mr. Wei Jiafu (Chairman), Mr. Liu Guoyuan (Vice-chairman), Mr. Li Jianhong, Mr. Zhou Liancheng, Mr. Liu Hanbo (Managing Director), Mr. Jia Lianjun, Mr. Wang Xiaoming, Mr. Chen Pisen, Mr. Meng Qinghui, Mr. Lin Libing and Mr. Wang Xiaodong as executive directors and Mr. Chan Cheong Foon, Andrew, Mr. Kwong Che Keung, Gordon and Mr. Tsui Yiu Wa, Alec as independent non-executive directors.

In this announcement, for reference purpose only and unless otherwise stated, translation of RMB into HK\$ is calculated by using an exchange rate of HK\$0.967 = RMB1.00.

* for identification purpose only