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COSCO International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 0517)

REVISED CAPS FOR CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 28th December 2004 in which the Company announced that, inter alia, (a) a subsidiary of the Company had entered into an agreement on 28th December 2004 to acquire the entire issued share capital of Yuantong; (b) Yuantong had been providing Ship Supply and Installation Services to COSCO Group, connected persons of the Company and would continue such transactions on an on-going basis after the acquisition; and (c) the Company, COSCO Hong Kong, a connected person of the Company, and COSCO Ship Trading, a non-wholly owned subsidiary of the Company, entered into the Master Agreement. Further details of the YT Continuing Connected Transactions and the ST Continuing Connected Transactions were disclosed in the circular of the Company dated 19th January 2005. These transactions and the related caps were approved by the independent shareholders of the Company at the special general meeting of the Company held on 24th February 2005.

The significant increase in COSCO Group's demands for the Ship Supply and Installation Services in recent months was beyond the Board's previous estimations. For the period from 1st January 2005 to 30th September 2005, the aggregate value of the YT Continuing Connected Transactions reached approximately 91% of the annual cap for the financial year ending 31st December 2005. In the meantime, recent internal forecast for the Ship Supply and Installation Services and Ship Agency Services shows that both the aggregate values of the YT Continuing Connected Transactions and the ST Continuing Connected Transactions are expected to exceed their respective annual caps for the two financial years ending 31st December 2006 and 2007 previously approved by the independent shareholders of the Company. The Company proposes to revise the respective annual caps for the YT Continuing Connected Transactions and the ST Continuing Connected Transactions to take into account the recent growth trend and has entered into the YT Supplemental Agreement and the ST Supplemental Agreement to reflect such revision of the annual caps.

Being the ultimate holding company of the Company, COSCO together with its associates are connected persons of the Company. As the applicable percentage ratios for the YT Revised Caps and the ST Revised Caps are expected to be higher than 2.5% on an annual basis, the YT Continuing Connected Transactions and the ST Continuing Connected Transactions constitute non-exempt continuing connected transactions of the Company and the YT Revised Caps, the ST Revised Caps, the YT Supplemental Agreement and the ST Supplemental Agreement are subject to the disclosure and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

A circular containing, inter alia, (a) further information on the YT Revised Caps, the ST Revised Caps, the YT Supplemental Agreement and the ST Supplemental Agreement; (b) the letter of advice from the independent financial adviser to the independent board committee and Independent Shareholders; (c) the recommendation from the independent board committee; and (d) a notice of the SGM will be dispatched to the Shareholders as soon as practicable.

BACKGROUND

Reference is made to the announcement of the Company dated 28th December 2004 in which the Company announced that, inter alia, (a) a subsidiary of the Company had entered into an agreement on 28th December 2004 to acquire the entire issued share capital of Yuantong; (b) Yuantong had been providing Ship Supply and Installation Services to COSCO Group, connected persons of the Company and would continue such transactions on an on-going basis; and (c) the Company, COSCO Hong Kong, a connected person of the Company, and COSCO Ship Trading, a non-wholly owned subsidiary of the Company, entered into the Master Agreement on 28th December 2004. Further details of the YT Continuing Connected Transactions and the ST Continuing Connected Transactions were disclosed in the circular of the Company dated 19th January 2005. These transactions and the related caps were approved by the independent shareholders of the Company at the special general meeting of the Company held on 24th February 2005.

In order to meet the increasing demands of COSCO Group for the Ship Supply and Installation Services and Ship Agency Services, the Company proposes to revise the respective annual caps for the YT Continuing Connected Transactions and the ST Continuing Connected Transactions.

RELATIONSHIP BETWEEN THE COMPANY AND THE CONNECTED PERSONS

Being the ultimate holding company and intermediate holding company of the Company respectively, COSCO and COSCO Hong Kong together with their associates are connected persons of the Company and hence, the YT Continuing Connected Transactions and the ST Continuing Connected Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

1. YT Continuing Connected Transactions

Yuantong had been providing Ship Supply and Installation Services to COSCO Group before the acquisition of Yuantong by the Group and continues to provide such services to COSCO Group after the acquisition. COSCO Group is the largest customer of Yuantong and the transactions between Yuantong and COSCO Group account for approximately 75% of the sales of Yuantong for the financial year ended 31st December 2004.

The Board has noted significant increase in COSCO Group's demands for the Ship Supply and Installation Services in recent months which was beyond the Board's previous estimation as announced on 28th December 2004. The annual caps previously approved by the independent shareholders of the Company for the YT Continuing Connected Transactions were HK\$229 million, HK\$249 million and HK\$270 million for each of the three financial years ending 31st December 2005, 2006 and 2007 respectively. For the period from 1st January 2005 to 30th September 2005, the aggregate value of the YT Continuing Connected Transactions was approximately HK\$209 million which reached approximately 91% of the annual cap for the financial year ending 31st December 2005, being HK\$229 million. The Company proposes to revise the annual caps for the YT Continuing Connected Transactions for the years ending 31st December 2005, 2006 and 2007 to take into account the recent growth trend. In this connection, Yuantong has entered into the YT Supplemental Agreement with Leadfull Investments Limited, a wholly owned subsidiary of the Company, COSCO Trading and Supply Investments Limited, a wholly owned subsidiary of COSCO Hong Kong, the Company and COSCO Hong Kong to amend the relevant terms of the Agreement in order to reflect the changes in the annual caps for the YT Continuing Connected Transactions while other terms of the Agreement will remain unchanged. The YT Supplemental Agreement is conditional upon the approval of the Independent Shareholders.

In determining the YT Revised Caps, the Board has (i) examined and compared the most recent performance of Yuantong during the year 2004 and the nine months ended 30th September 2005 as a base; (ii) interviewed the management of Yuantong to obtain opinion on the YT Continuing Connected Transactions turnover forecasts for the years of 2005-2007; (iii) considered the recent business growth trend of Yuantong's provisions of Ship Supply and Installation Services; and (iv) examined the unaudited financial statements of Yuantong in recent months (January to September 2005).

The proposed YT Revised Cap for the financial year of 2005 represents an approximately 12% buffer of the annualised aggregate value of the YT Continuing Connected Transactions based on the average monthly value for the nine months ended 30th September 2005. The Company considers that such buffer is reasonable on the grounds that:-

- as the turnover of the YT Continuing Connected Transactions in the second half of the financial year 2004 was higher than that of the first half of that year, the Directors expect that this will also be the case for the financial year 2005; and
- the turnover for a particular month can fluctuate significantly. The highest monthly turnover of the YT Continuing Connected Transactions recorded during the 9 months ended 30th September 2005 was over two times of the average monthly turnover for such 9 months' period.

In these circumstances, the Board is of the view that the annual caps of the YT Continuing Connected Transactions shall be revised to HK\$313 million, HK\$406 million and HK\$446 million for each of the three financial years ending 31st December 2005, 2006 and 2007 respectively.

2. ST Continuing Connected Transactions

COSCO Ship Trading have been providing the Ship Agency Services to COSCO Group pursuant to the Master Agreement.

The Board has noted that there would be significant increase in COSCO Group's demands for the Ship Agency Services in the coming financial years ending 31st December 2006 and 2007 respectively according to the recent internal forecast which was beyond the Board's previous estimation as announced on 28th

December 2004. The aggregate value of the ST Continuing Connected Transactions for the nine months ended 30th September 2005 was approximately HK\$45 million. It is expected that the aggregate value of the ST Continuing Connected Transactions for the financial years ending 31st December 2006 and 2007 will exceed the respective annual caps of HK\$60.3 million and HK\$63.2 million previously approved by the independent shareholders of the Company. The Company proposes to revise the annual caps for the ST Continuing Connected Transactions for the future years ending 31st December 2006 and 2007 to take into account the recent forecast of business volume as well as upcoming growth trend. In this connection, the Company has entered into the ST Supplemental Agreement with COSCO Ship Trading and COSCO Hong Kong to amend the relevant terms of the Master Agreement in order to reflect the changes in the annual caps for the ST Continuing Connected Transactions while the annual cap for the ST Continuing Connected Transactions for the financial year ending 31st December 2005 as previously approved by the independent shareholders of the Company, being HK\$58.5 million, and other terms of the Master Agreement will remain unchanged. The ST Supplemental Agreement is conditional upon the approval of the Independent Shareholders.

In determining the ST Revised Caps, the Board has (i) examined and compared the most recent performance of COSCO Ship Trading Group during the year 2004 and the nine months ended 30th September 2005 as a base; (ii) interviewed the management of COSCO Ship Trading Group to obtain opinion on the ST Continuing Connected Transactions turnover forecasts for the years of 2006-2007; (iii) considered the recent business growth trend of COSCO Ship Trading's provisions of Ship Agency Services; (iv) obtained from the management of COSCO Ship Trading Group the overall forecast for the years of 2006-2007 on the number, age and size of vessels held by COSCO Group; and (v) examined the unaudited financial statements of COSCO Ship Trading Group in recent months (January to September 2005). In these circumstances, the Board is of the view that the annual caps of the ST Continuing Connected Transactions shall be revised to HK\$73 million and HK\$80 million for each of the two financial years ending 31st December 2006 and 2007 respectively.

If the aggregate amounts payable by COSCO Group for the YT Continuing Connected Transactions and/or the ST Continuing Connected Transactions shall exceed the YT Revised Caps or the ST Revised Caps or upon the expiry of the YT Revised Caps or the ST Revised Caps or where there is a material change to the terms of the YT Continuing Connected Transactions and/or the ST Continuing Connected Transactions, the Company will re-comply with all applicable requirements under the Listing Rules, including (where required) the obtaining of approval of the Independent Shareholders. The Company will also comply with the annual review and reporting requirements of Rule 14A.37 to Rule 14A.41 and Rule 14A.45 to Rule 14A.47 in relation to the YT Continuing Connected Transactions and the ST Continuing Connected Transactions.

INFORMATION OF THE GROUP AND THE CONNECTED PERSONS

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

COSCO Group is one of the largest shipowners in the world.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Directors (including the independent non-executive Directors) confirm that the YT Continuing Connected Transactions and the ST Continuing Connected Transactions have been and will be conducted in the usual and ordinary course of business of Yuantong and COSCO Ship Trading Group respectively, and have been and will be based on normal commercial terms and on terms no less favourable to Yuantong and COSCO Ship Trading Group than terms available to other independent third parties. The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser) are of the view that the YT Revised Caps, the ST Revised Caps, the YT Supplemental Agreement and the ST Supplemental Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

GENERAL

As the YT Continuing Connected Transactions and the ST Continuing Connected Transactions constitute continuing connected transactions and the applicable percentage ratios for the YT Revised Caps and the ST Revised Caps exceed 2.5%, the YT Continuing Connected Transactions and the ST Continuing Connected Transactions constitute non-exempt continuing connected transactions of the Company and the YT Revised Caps, the ST Revised Caps, the YT Supplemental Agreement and the ST Supplemental Agreement are subject to the reporting and independent shareholders' approval requirements under Rule 14A.35 of the Listing Rules. The SGM will be convened for the Independent Shareholders to approve the YT Revised Caps, the ST Revised Caps, the YT Supplemental Agreement and the ST Supplemental Agreement by poll.

In view of the interests of COSCO and COSCO Hong Kong in the Company, COSCO and COSCO Hong Kong and their respective associates will abstain from voting in relation to the resolutions to approve the YT Revised Caps, the ST Revised Caps, the YT Supplemental Agreement and the ST Supplemental Agreement.

An independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders regarding the YT Revised Caps, the ST Revised Caps, the YT Supplemental Agreement and the ST Supplemental Agreement. An independent board committee of the Company will also be appointed to advise the Independent Shareholders on whether or not the YT Revised Caps, the ST Revised Caps, the YT Supplemental Agreement and the ST Supplemental Agreement are in the interest of the Company and are fair and reasonable so far as the Independent Shareholders are concerned.

A circular containing, inter alia, (a) further information on the YT Revised Caps, the ST Revised Caps, the YT Supplemental Agreement and the ST Supplemental Agreement; (b) the letter of advice from the independent financial adviser to the independent board committee and Independent Shareholders; (c) the recommendation from the independent board committee; and (d) a notice of the SGM will be dispatched to the Shareholders as soon as practicable.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set opposite to them below:

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| “Agreement” | the agreement dated 28th December 2004 for the sale and purchase of the entire equity interest in Yuantong made between Leadfull Investments Limited, a wholly owned subsidiary of the Company, COSCO Trading and Supply Investments Limited, a wholly owned subsidiary of COSCO Hong Kong, the Company and COSCO Hong Kong; |
| “associate(s)” | the meaning ascribed to it in the Listing Rules; |
| “Board” | the board of directors of the Company; |
| “Company” | COSCO International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange; |
| “connected person(s)” | the meaning ascribed to it in the Listing Rules; |
| “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 holding company of the Company; |
| “COSCO Group” | COSCO and its subsidiaries (other than the Group); |
| “COSCO Hong Kong” | COSCO (Hong Kong) Group Limited, a company incorporated in Hong Kong with limited liability and the intermediate holding company of the Company; |
| “COSCO Ship Trading” | COSCO International Ship Trading Company Limited, a company incorporated in Hong Kong with limited liability and a 60% owned subsidiary of the Company; |
| “COSCO Ship Trading Group” | COSCO Ship Trading and its subsidiaries; |
| “Director(s)” | director(s) of the Company; |
| “Group” | the Company and its subsidiaries; |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China; |
| “Independent Shareholder(s)” | Shareholder(s) other than COSCO Hong Kong, COSCO and any of their respective associates; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “Master Agreement” | the master agreement dated 28th December 2004 for the provision of the Ship Agency Services made between the Company, COSCO Ship Trading and COSCO Hong Kong; |
| “SGM” | the special general meeting of the Company to be held to approve the YT Revised Caps, the ST Revised Caps, the YT Supplemental Agreement and the ST Supplemental Agreement; |
| “Shareholder(s)” | the holder(s) of the shares of the Company; |
| “Ship Agency Services” | agency services provided by COSCO Ship Trading Group including the sale and purchase of new and second hand vessels, chartering businesses and the sale and purchase of marine equipment for new ship-building projects and other related services; |
| “Ship Supply and Installation Services” | services provided by Yuantong including the supply and installation of equipment and spare parts for existing and new-built vessels, oil drills, ports and projects at sea or on land as well as those in application of port traffic navigation, communication systems as well as information management systems; |
| “ST Continuing Connected Transactions” | the continuing connected transactions between COSCO Ship Trading Group and COSCO Group as set out in the paragraph headed “ST Continuing Connected Transactions”; |
| “ST Revised Caps” | means HK\$73 million and HK\$80 million, being the revised annual caps for each of the two financial years ending 31st December 2006 and 2007 respectively in respect of the ST Continuing Connected Transactions; |
| “ST Supplemental Agreement” | a conditional supplemental agreement dated 27th October 2005 between the Company, COSCO Ship Trading and COSCO Hong Kong in relation to the amendments of the annual caps of the ST Continuing Connected Transactions; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “YT Continuing Connected Transactions” | the continuing connected transactions between Yuantong and COSCO Group as set out in the paragraph headed “YT Continuing Connected Transactions”; |
| “YT Revised Caps” | means HK\$313 million, HK\$406 million and HK\$446 million, being the revised annual caps for each of the three financial years ending 31st December 2005, 2006 and 2007 respectively in respect of the YT Continuing Connected Transactions; |
| “YT Supplemental Agreement” | a conditional supplemental agreement dated 27th October 2005 between Leadfull Investments Limited, a wholly owned subsidiary of the Company, COSCO Trading and Supply Investments Limited, a wholly owned subsidiary of COSCO Hong Kong, the Company and COSCO Hong Kong in relation to the amendments of the annual caps of the YT Continuing Connected Transactions; |
| “Yuantong” | Yuantong Marine Service Company Limited, a company incorporated in Hong Kong with limited liability; and |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong. |

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

27th October 2005

As at the date hereof, the Board comprises 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. He Jiale, Mr. Guo Huawei, Mr. Chen Pisen, Mr. Meng Qinghui, Mr. Zhao Kaiji and Mr. Lin Libing are executive Directors; and Mr. Chan Cheong Foon, Andrew, Mr. Kwong Che Keung, Gordon and Mr. Tsui Yiu Wa, Alec are independent non-executive Directors.