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## COSCO International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 0517)

### CONNECTED TRANSACTIONS FORMATION OF JOINT VENTURES

#### Zhuhai JV Agreement

On 28th November 2005, the Company entered into the Zhuhai JV Agreement with Japan Kansai, a substantial shareholder of two non-wholly owned subsidiaries of the Company, in relation to the setting up and the operation of Zhuhai JV.

According to the Zhuhai JV Agreement, Zhuhai JV will have a registered capital of USD5.7 million (equivalent to approximately HK\$44.46 million) of which the Company will contribute approximately USD3.69 million (equivalent to approximately HK\$28.78 million) representing 64.71% of the registered capital and Japan Kansai will contribute approximately USD2.01 million (equivalent to approximately HK\$15.68 million) representing 35.29% of the registered capital. The Zhuhai JV Agreement is conditional upon the approval from the relevant PRC authorities.

Being a substantial shareholder of two non-wholly owned subsidiaries of the Company, Japan Kansai is a connected person of the Company. Accordingly, the entering into of the Zhuhai JV Agreement and the transactions under the Zhuhai JV Agreement constitute a connected transaction of the Company. Pursuant to Chapter 14A of the Listing Rules, the connected transaction under the Zhuhai JV Agreement is subject to the disclosure requirements of the Listing Rules.

#### Shenzhen JV Agreement

On 28th November 2005, COSCO Insurance and Xiangliyuan, both being wholly owned subsidiaries of the Company, entered into the Shenzhen JV Agreement with Shenzhen Ocean, a non-wholly owned subsidiary of COSCO which in turn is the ultimate holding company of the Company, in relation to the setting up and the operation of Shenzhen JV.

According to the Shenzhen JV Agreement, Shenzhen JV will have a registered capital of RMB5 million (equivalent to approximately HK\$4.8 million) of which COSCO Insurance will contribute RMB1.2 million (equivalent to approximately HK\$1.15 million) representing 24% of the registered capital, Xiangliyuan will contribute RMB1.55 million (equivalent to approximately HK\$1.49 million) representing 31% of the registered capital and Shenzhen Ocean will contribute approximately RMB2.25 million (equivalent to approximately HK\$2.16 million) representing 45% of the registered capital. The Shenzhen JV Agreement is conditional upon the approval from the relevant PRC authorities.

Being a subsidiary of COSCO, Shenzhen Ocean is a connected person of the Company. Accordingly, the entering into of the Shenzhen JV Agreement and the transactions under the Shenzhen JV Agreement constitute a connected transaction of the Company. Pursuant to Chapter 14A of the Listing Rules, the connected transaction under the Shenzhen JV Agreement is subject to the disclosure requirements of the Listing Rules.

#### INTRODUCTION

On 28th November 2005, the Company entered into the Zhuhai JV Agreement with Japan Kansai, a substantial shareholder of two non-wholly owned subsidiaries of the Company, in relation to the setting up and the operation of Zhuhai JV. On 28th November 2005, COSCO Insurance and Xiangliyuan, both being wholly owned subsidiaries of the Company, also entered into the Shenzhen JV Agreement with Shenzhen Ocean, a non-wholly owned subsidiary of COSCO which in turn is the ultimate holding company of the Company, in relation to the setting up and the operation of Shenzhen JV. Pursuant to the Listing Rules, the entering into of the Zhuhai JV Agreement and the Shenzhen JV Agreement and the transactions thereunder constitute connected transactions of the Company.

#### RELATIONSHIP BETWEEN THE COMPANY AND THE CONNECTED PERSONS

Japan Kansai holds 35.29% equity interest in each of Shanghai COSCO Kansai Paint & Chemicals Co., Ltd. (上海中遠關西塗料化工有限公司) and Tianjin COSCO Kansai Paint & Chemicals Co., Ltd. (天津中遠關西塗料化工有限公司) both being non-wholly owned subsidiaries of the Company. Being a substantial shareholder of the two non-wholly owned subsidiaries of the Company, Japan Kansai is therefore a connected person of the Company.

COSCO is the ultimate holding company of the Company. Being a non-wholly owned subsidiary of COSCO, Shenzhen Ocean is therefore a connected person of the Company.

#### ZHUHAI JV AGREEMENT

<b>Date:</b>	28th November 2005
<b>Parties:</b>	the Company Japan Kansai
<b>Proposed name of the joint venture:</b>	珠海中遠關西塗料化工有限公司 (Zhuhai COSCO Kansai Paint & Chemicals Co., Ltd.)
<b>Registered capital:</b>	USD5.7 million (equivalent to approximately HK\$44.46 million) which will be contributed in cash as follows: – (a) the Company: USD3,688,470 (equivalent to approximately HK\$28.78 million) representing 64.71% of the registered capital (b) Japan Kansai: USD2,011,530 (equivalent to approximately HK\$15.68 million) representing 35.29% of the registered capital
<b>Total Investment amount:</b>	USD5.7 million (equivalent to approximately HK\$44.46 million) for the present phase
<b>Duration of Zhuhai JV:</b>	20 years from the date of the issue of the business licence of Zhuhai JV
<b>Scope of business of Zhuhai JV:</b>	Production, processing and sale of container coatings, anti-corrosive paint, other coating products for chemical industry and related products, provision of consultancy services (生產、加工和銷售集裝箱塗料、重防腐漆、其他化工塗料產品及相關產品及提供諮詢服務)
<b>Condition precedent:</b>	the Zhuhai JV Agreement is conditional upon the approval from the relevant PRC authorities
<b>Profit sharing:</b>	in proportion to the Company's and Japan Kansai's respective contributions to the registered capital of Zhuhai JV
<b>Board composition:</b>	the board of directors of Zhuhai JV will comprise eleven directors of which seven will be appointed by the Company and four will be appointed by Japan Kansai
<b>Non-competition:</b>	after the commencement of the production by Zhuhai JV, the Company and Japan Kansai shall not, directly or indirectly, produce or appoint a third party to produce any products similar to the products specified in the Zhuhai JV Agreement to be produced by Zhuhai JV in Zhuhai, the PRC

As the Company will have 64.71% equity interest in Zhuhai JV, Zhuhai JV will become a subsidiary of the Company. The majority, but less than two-third, of the directors of Zhuhai JV are nominated by the Company. However, the approvals of all or two-third of the directors of Zhuhai JV is required for decisions of important or other matters of Zhuhai JV respectively. The contribution of approximately USD3.69 million (equivalent to approximately HK\$28.78 million) to the registered capital of Zhuhai JV by the Company will be funded by internal resources of the Group. The total investment amount of Zhuhai JV for the present phase is USD5.7 million (equivalent to approximately HK\$44.46 million). The expected total investment size of Zhuhai JV will be USD10 million (equivalent to approximately HK\$78 million). The capital commitment made by the Company under the Zhuhai JV Agreement is its contribution of approximately USD3.69 million (equivalent to approximately HK\$28.78 million) to the registered capital of Zhuhai JV.

Based on the PRC legal advice obtained by the Company, if Zhuhai JV increases its total investment amount from USD5.7 million after its establishment, the registered capital of Zhuhai JV must be correspondingly increased according to a ratio prescribed by the PRC law and the unanimous approval of the board of directors of the Zhuhai JV (which in effect requiring consent from both joint venture parties) together with the approval of the relevant PRC approving authorities will be required. In such event, the Company will re-comply with all applicable requirements under the Listing Rules, including (where required) Rule 14.22 of the Listing Rules relating to aggregation of transactions and/or the obtaining of approval of the independent shareholders of the Company.

On 28th November 2005, the Company entered into a project agreement with Japan Kansai and the Commission of Zhuhai Harbour Industrial Zone (珠海臨港工業區管理委員會) prior to the establishment of Zhuhai JV. Pursuant to such project agreement, the Commission of Zhuhai Harbour Industrial Zone agreed, inter alia, to reserve a piece of land of approximately 67,000 sq.m. at West Side of Zhuhai Road, Nanshui Chemical Industry Zone, Zhuhai, the PRC (中國珠海南水化工專區珠海大道西側) for a period up to 31st March 2006 or such later date as may be agreed by the parties for a deposit of RMB1 million (equivalent to approximately HK\$0.96 million). After obtaining the relevant project planning approval and construction planning approval, the Commission of Zhuhai Harbour Industrial Zone will assist Zhuhai JV in obtaining the state-owned land use right of such piece of land at the consideration of RMB77 per sq.m.. The deposit will be payable by the Company and Japan Kansai in proportion to their respective contribution to the registered capital of Zhuhai JV.

If there is a material change to the terms of the Zhuhai JV Agreement or the transactions under the Zhuhai JV Agreement, the Company will re-comply with all applicable requirements under the Listing Rules, including (where required) the obtaining of approval of the independent shareholders of the Company.

Pursuant to the terms of the Zhuhai JV Agreement, Zhuhai JV and Japan Kansai will enter into the Technology Transfer Agreement whereby Japan Kansai will provide necessary technology and know-how in producing container paint and anti-corrosive paint (集裝箱漆和重防腐漆) to Zhuhai JV and permit Zhuhai JV to use Japan Kansai's related trademarks in return for fees to be payable by Zhuhai JV for the duration of Zhuhai JV. The Technology Transfer Agreement, when executed, will constitute a continuing connected transaction of the Company and the Company will then comply with all applicable requirements under the Listing Rules, including (where required) the obtaining of approval of the independent shareholders of the Company.

#### SHENZHEN JV AGREEMENT

<b>Date:</b>	28th November 2005
<b>Parties:</b>	COSCO Insurance Xiangliyuan Shenzhen Ocean
<b>Proposed name of the joint venture:</b>	Shenzhen COSCO Insurance Brokers Limited (深圳中遠保險經紀有限公司)
<b>Registered capital:</b>	RMB5 million (equivalent to approximately HK\$4.8 million) which will be contributed in cash within six months from the date of the issue of the business licence of Shenzhen JV as follows: – (a) COSCO Insurance: RMB1.2 million (equivalent to approximately HK\$1.15 million) representing 24% of the registered capital (b) Xiangliyuan: RMB1.55 million (equivalent to approximately HK\$1.49 million) representing 31% of the registered capital (c) Shenzhen Ocean: RMB2.25 million (equivalent to approximately HK\$2.16 million) representing 45% of the registered capital
<b>Total Investment amount:</b>	RMB8 million (equivalent to approximately HK\$7.68 million)
<b>Duration of Shenzhen JV:</b>	20 years from the date of the issue of the business licence of Shenzhen JV
<b>Scope of business of Shenzhen JV:</b>	(a) preparing insurance plan(s) for the insured, selecting insurer(s), proceeding with insurance application procedures; (b) assisting the insured or beneficiary in any claim; (c) re-insurance brokerage business; (d) providing clients with disaster prevention, loss prevention or risk assessment, risk management consultancy services; (e) other business approved by China Insurance Regulatory Commission (a) 為投保人擬定投保方案、選擇保險人、辦理投保手續; (b) 協助被保險人或受益人進行索賠; (c) 再保險經紀業務; (d) 為委託人提供防炎、防損或風險評估、風險管理諮詢服務; (e) 中國保險監督管理委員會批准的其他業務)
<b>Condition precedent:</b>	the Shenzhen JV Agreement is conditional upon the approval from the relevant PRC authorities
<b>Profit sharing:</b>	in proportion to COSCO Insurance's, Xiangliyuan's and Shenzhen Ocean's respective contributions to the registered capital of Shenzhen JV
<b>Board composition:</b>	the board of directors of Shenzhen JV will comprise five directors of which two will be appointed by COSCO Insurance, one will be appointed by Xiangliyuan and two will be appointed by Shenzhen Ocean

As the Company will in aggregate have 55% equity interest in Shenzhen JV, Shenzhen JV will become a subsidiary of the Company and the Company will have majority board control in Shenzhen JV. The contribution of COSCO Insurance and Xiangliyuan in an aggregate amount of RMB2.75 million (equivalent to approximately HK\$2.64 million) to the registered capital of Shenzhen JV will be funded by internal resources of the Group. The total investment amount of Shenzhen JV is RMB8 million (equivalent to approximately HK\$7.68 million). The Shenzhen JV Agreement does not provide for the method of financing the difference between the total investment amount and the registered capital of Shenzhen JV. It is expected that such amount will be financed by bank borrowings and/or such other methods as may be agreed by the parties in future. The capital commitment made by the Company through COSCO Insurance and Xiangliyuan under the Shenzhen JV Agreement is its contribution of RMB2.75 million (equivalent to approximately HK\$2.64 million) to the registered capital of Shenzhen JV.

**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 and Shenzhen Ocean is principally engaged in the business of dry bulk shipping business.

Japan Kansai is principally engaged in the provision of technologies and environmental friendly products relating to paint and coating business worldwide and the shares of which are listed on the Tokyo Stock Exchange, Inc.

**REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

The performance of Shanghai COSCO Kansai Paint & Chemicals Co., Ltd. and Tianjin COSCO Kansai Paint & Chemicals Co., Ltd., both being subsidiaries of the Company jointly owned with, inter alia, Japan Kansai and engaged in coating business, has been encouraging. As disclosed in the circulars of the Company dated 2nd September 2003 and 12th December 2003, it has been the intention of the Company to increase its investment in the coating business. The Directors consider that the formation of Zhuhai JV is an opportunity for the Group to further expand its investment in coating business and consolidate its business relationship with Japan Kansai. In addition, with a manufacturing establishment in Zhuhai, the transportation cost for delivering products to customers in southern China can be reduced in future.

The formation of Shenzhen JV provides an opportunity to the Group to expand its insurance brokerage business in the PRC.

The Directors (including the independent non-executive Directors) are of the view that the Zhuhai JV Agreement, the Shenzhen JV Agreement and the transactions under the Zhuhai JV Agreement and the Shenzhen JV Agreement are fair and reasonable and on normal commercial terms and that the entering into of the Zhuhai JV Agreement and the Shenzhen JV Agreement is in the interest of the Company and the Shareholders as a whole.

**GENERAL**

As the Zhuhai JV Agreement, the Shenzhen JV Agreement and the transactions thereunder constitute connected transactions of the Company and the applicable percentage ratios for each of the transactions under the Zhuhai JV Agreement and the Shenzhen JV Agreement are below 2.5%, the Zhuhai JV Agreement, the Shenzhen JV Agreement and the transactions thereunder are subject to the reporting requirements under Chapter 14A of the Listing Rules.

**DEFINITIONS**

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

“Board”	the board of Directors;
“China” or “PRC”	The People’s Republic of China, for the purposes of this announcement, exclude Hong Kong, Macau Special Administrative Region and Taiwan region;
“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 Insurance”	COSCO (Hong Kong) Insurance Brokers Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company;
“Director(s)”	director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“Japan Kansai”	Kansai Paint Co., Ltd. (關西塗料株式會社), a company registered in Osaka, Japan;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Shareholder(s)”	the holder(s) of the shares of the Company;
“Shenzhen JV”	Shenzhen COSCO Insurance Brokers Limited (深圳中遠保險經紀有限公司), a limited company to be established under the Company Law of the PRC which will be owned as to 24% by COSCO Insurance, 31% by Xiangliyuan and 45% by Shenzhen Ocean;
“Shenzhen JV Agreement”	a joint venture agreement entered into between COSCO Insurance, Xiangliyuan and Shenzhen Ocean in relation to the setting up and operation of Shenzhen JV dated 28th November 2005;
“Shenzhen Ocean”	Shenzhen Ocean Shipping Co., Ltd. (深圳遠洋運輸股份有限公司), a company established under the laws of the PRC which is a non-wholly owned subsidiary of COSCO;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	the meaning ascribed to it in the Listing Rules;
“Technology Transfer Agreement”	a technology transfer agreement (技術轉讓合同) to be entered into between Zhuhai JV and Japan Kansai in relation to the provision of technology and know-how in producing container paint and anti-corrosive paint (集裝箱漆和重防腐漆);
“Xiangliyuan”	香麗園(上海)物業管理有限公司 (Xiang Li Yuan (Shanghai) Property Management Company Limited), a wholly owned subsidiary of the Company established under the laws of the PRC;
“Zhuhai JV”	珠海中遠關西塗料化工有限公司 (Zhuhai COSCO Kansai Paint & Chemicals Co., Ltd.), a wholly foreign owned enterprise to be established under the laws of the PRC which will be owned as to 64.71% by the Company and 35.29% by Japan Kansai;
“Zhuhai JV Agreement”	a joint venture agreement entered into between the Company and Japan Kansai in relation to the setting up and operation of Zhuhai JV dated 28th November 2005;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“RMB”	Renminbi, the lawful currency of the PRC;
“USD”	United States dollars, the lawful currency of the United States;
“sq.m.”	square metres;
“%”	per cent.

For illustration purpose of this announcement, the exchange rates of RMB1 = HK\$0.96 and USD1 = HK\$7.8 have been used for conversion.

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

Hong Kong, 28th November 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.