



招商局國際有限公司

CHINA MERCHANTS HOLDINGS (INTERNATIONAL) COMPANY LIMITED

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock Code: 144)

ANNOUNCEMENT CONNECTED TRANSACTION Establishment of a joint venture

Summary

The Board is pleased to announce that the Group has entered into a Joint Venture Contract on 23 November 2004 for the establishment of Zhangzhou Tugboat JV, a Sino-foreign joint venture company to be established in Zhangzhou, Fujian, the PRC. Zhangzhou Tugboat JV is to be owned as to 75% by Zhangzhou CM Port Company and as to 25% by the Subsidiary, a wholly-owned subsidiary of the Company.

Zhangzhou CM Port Company is a connected person of the Company under the Listing Rules as it is an associate (as defined under the Listing Rules) of CMG, the ultimate holding company of the Company. Accordingly, the establishment of Zhangzhou Tugboat JV constitutes a connected transaction of the Company. No independent shareholders' approval is required for the Transaction pursuant to the exemption under Rule 14A.32 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that the Joint Venture Contract and the Articles in respect of the establishment of Zhangzhou Tugboat JV were entered into on 23 November 2004 between Zhangzhou CM Port Company and the Subsidiary.

JOINT VENTURE CONTRACT AND ARTICLES DATED 23 NOVEMBER 2004

Parties:

Zhangzhou CM Port Company and the Subsidiary. Zhangzhou Tugboat JV is to be owned as to 75% by Zhangzhou CM Port Company and 25% by the Subsidiary.

Scope of business:

Zhangzhou Tugboat JV will provide tugboat services to ships using the Zhangzhou port and the Xiamen port in Fujian, the PRC. Zhangzhou Tugboat JV will provide tugboats to guide ships into the ports and will also provide ancillary transportation and security services.

Term of the joint venture:

The establishment of Zhangzhou Tugboat JV is subject to approvals by the relevant PRC regulatory authorities. The term of the joint venture is 20 years from the date of issue of the business licence. This period may be extended by mutual agreement of the parties subject to obtaining all necessary approvals from the relevant PRC authorities.

Total investment and registered capital:

The total investment and registered capital of Zhangzhou Tugboat JV are RMB45,000,000 (approximately HK\$42,453,000) and RMB15,000,000 (approximately HK\$14,151,000) respectively. The registered capital will be paid in cash. The Zhangzhou CM Port Company will contribute 75% of the registered capital, being RMB11,250,000 (approximately HK\$10,613,000), in RMB and the Subsidiary will contribute 25% of the registered capital, being RMB3,750,000 (approximately HK\$3,538,000), in Hong Kong dollar. The difference between the total investment and registered capital, being RMB30,000,000 (approximately HK\$28,302,000) will be covered by shareholders' loans and/or bank loans. Each of the Subsidiary and Zhangzhou CM Port Company will fund the capital contribution by internal resources.

Board of directors:

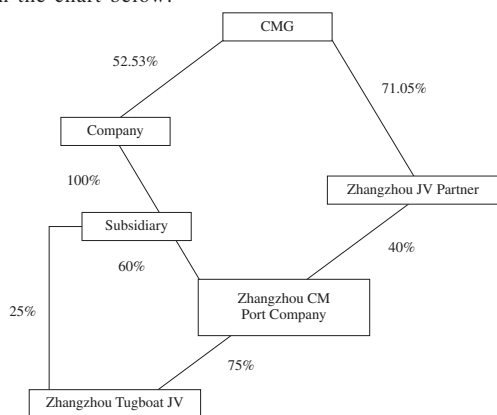
The board of directors of Zhangzhou Tugboat JV will comprise 4 directors. Zhangzhou CM Port Company is entitled to appoint 3 directors and the Subsidiary is entitled to appoint 1 director.

Profit distribution:

Profits will be distributed to Zhangzhou CM Port Company and the Subsidiary in proportion to their equity interests in Zhangzhou Tugboat JV. At the end of the term of the joint venture or upon early termination of the joint venture, the remaining assets of Zhangzhou Tugboat JV will be distributed to Zhangzhou CM Port Company and the Subsidiary in proportion to their equity interests in Zhangzhou Tugboat JV.

CONNECTED TRANSACTION

Zhangzhou CM Port Company owns and operates berths nos. 3, 4 and 5 in the Zhangzhou Economic Zone, Fujian, the PRC. Zhangzhou CM Port Company is 60% owned by the Company and 40% owned by Zhangzhou JV Partner, an indirect subsidiary of CMG. Zhangzhou CM Port Company is a connected person of the Company under the Listing Rules as it is an associate (as defined in the Listing Rules) of CMG, which in turn is the ultimate holding company of the Company. The shareholding structure upon establishment of Zhangzhou Tugboat JV is set out in the chart below:-



Note: Wholly-owned intermediate holding companies are not shown in the above chart.

As Zhangzhou CM Port Company is a subsidiary of the Company, Zhangzhou Tugboat JV will also be treated as a subsidiary in the accounts of the Company.

Given that Zhangzhou CM Port Company is a connected person of the Company, the establishment of Zhangzhou Tugboat JV constitutes a connected transaction of the Company. As the Transaction falls within the exemption under Rule 14A.32 of the Listing Rules, no independent shareholders' approval will be required. The Company will, however, comply with the review and reporting requirements under Chapter 14A of the Listing Rules.

REASONS FOR THE TRANSACTION:

The Directors (including the independent non-executive Directors) consider that the Transaction is on normal commercial terms, is fair and reasonable and in the interests of the shareholders of the Company as a whole. The entering into of the Joint Venture Contract is consistent with the Company's strategy of focusing on its core business of port and port-related activities. The establishment of Zhangzhou Tugboat JV provides an opportunity to expand the Group's port logistic and related business. Further, the provision of tugboat services by Zhangzhou Tugboat JV will improve the efficiency and competitiveness of Zhangzhou port. Zhangzhou CM Port Company, a 60% subsidiary of the Group, operates berths nos. 3, 4 and 5 in the Zhangzhou Economic Development Zone and the Group is one of the major investors in Zhangzhou port.

BUSINESS OF THE GROUP

The core business of the Group is port and port-related business.

DEFINITIONS

"Articles"	the articles of association of Zhangzhou Tugboat JV dated 23 November 2004
"Board"	the board of Directors
"CMG"	China Merchants Group Limited, the ultimate holding company of the Company incorporated in the PRC
"Company"	China Merchants Holdings (International) Company Limited, a company incorporated in Hong Kong with limited liability and whose ordinary shares are listed on the Stock Exchange
"Directors"	the directors of the Company
"Group"	the Company together with its subsidiaries
"Joint Venture Contract"	the joint venture contract entered into on 23 November 2004 by Zhangzhou CM Port Company and the Subsidiary in respect of the establishment of Zhangzhou Tugboat JV
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	The People's Republic of China
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiary"	Zhangzhou Terminal Holdings Company Limited, a company incorporated in the British Virgin Islands and is a wholly-owned subsidiary of the Company
"Transaction"	the transactions contemplated under the Joint Venture Contract and the Articles
"Zhangzhou CM Port Company"	漳州招商局碼頭有限公司 (Zhangzhou China Merchants Port Co. Ltd., being the unofficial English name), a Sino-foreign equity joint venture company which is owned as to 60% by the Subsidiary and as to 40% by the Zhangzhou JV Partner
"Zhangzhou JV Partner"	招商局漳州開發區有限公司 (China Merchants Zhangzhou Development Zone Company Limited, being the unofficial English name), a company established under the law of the PRC and is 71.05% indirectly held by CMG
"Zhangzhou Tugboat JV"	漳州招商局拖輪有限公司 (Zhangzhou China Merchants Tugboat Company Limited), a Sino-foreign joint venture company to be established in the PRC pursuant to the Joint Venture Contract and the Articles

In this announcement, unless otherwise indicated, the exchange rate of HK\$1 = RMB1.06 has been used where applicable. Such conversion is for the purpose of illustration only and shall not constitute a representation that any amount have been, could have been or may be exchanged using such or any other exchange rates.

By Order of the Board
Li Yi
Managing Director

The Board as at the date of this announcement comprises Dr. Fu Yuning, Mr. Zhao Huxiang, Mr. Li Yinquan, Mr. Hu Zheng, Mr. Meng Xi, Mr. Li Yi, Mr. To Wing Sing and Mr. Yu Liming who are the executive Directors, Mr. Tsang Kam Lan, Mr. Kut Ying Hay, Mr. Koo Kou Hwa, Mr. Lee Yip Wah Peter and Mr. Li Kwok Heem John who are the independent non-executive Directors.

Hong Kong, 23 November 2004