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(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 144)

MAJOR AND CONNECTED TRANSACTION DISPOSAL OF HEMPEL-HAI HONG

SUMMARY

The Board is pleased to announce that on 15 November 2008, the Company, the Seller (an indirect wholly-owned subsidiary of the Company) and Hempel entered into the Share Purchase Agreement pursuant to which the Seller agreed to sell to Hempel 678,400 ordinary shares in Hempel-Hai Hong, representing 64% of its issued share capital, and assign to Hempel certain trademarks. The total consideration for the sale of the Sale Shares, the assignment of the trademarks and the grant of all other rights to Hempel under and pursuant to the Share Purchase Agreement is HK\$1,146,496,000.

As Hempel is a substantial shareholder of Hempel-Hai Hong, which in turn is a subsidiary of the Company, Hempel is a connected person of the Company as defined under the Listing Rules. Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules exceed 2.5%, the Transaction constitutes a non-exempt connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. In addition, since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules exceed 25% but are less than 75%, the Transaction also constitutes a major transaction of the Company and is subject to the notification, publication and shareholders' approval requirements under the Listing Rules.

On the basis that (i) none of Hempel nor its associates hold any shares in the Company and no Shareholder is required to abstain from voting if the Company were to convene an extraordinary general meeting for the approval of the Transaction, (ii) CMG, which holds indirectly 1,341,958,976 shares in the Company, representing approximately 55.6% of the issued shares of the Company as at the date of this announcement, has approved the Transaction in writing and (iii) CMG, through its wholly-owned subsidiaries, is entitled to vote on the Transaction, the Company will apply to the Stock Exchange for a waiver from compliance with the requirement to hold a shareholders' meeting pursuant to Rule 14A.43 of the Listing Rules. The written approval by CMG has also been accepted in lieu of holding a general meeting to approve the Transaction pursuant to Rule 14.44 of the Listing Rules. CMG has undertaken to Hempel to procure its subsidiaries holding shares in the Company to vote in favour of the resolution approving the Share Purchase Agreement and the transactions contemplated thereunder should a shareholders' meeting is required to be held.

A circular containing, among other things, the advice of the Independent Financial Adviser and the recommendations of the Independent Board Committee, will be despatched to the Shareholders as soon as practicable.

The Board is pleased to announce that on 15 November 2008, the Company, the Seller (an indirect wholly-owned subsidiary of the Company) and Hempel entered into the Share Purchase Agreement.

1 SHARE PURCHASE AGREEMENT

Date: 15 November 2008

Parties: (1) The Seller (as vendor)
(2) Hempel (as purchaser)
(3) The Company (as guarantor)

Pursuant to the Share Purchase Agreement, the Seller agreed to sell to Hempel 678,400 ordinary shares with a nominal value of HK\$100 each in Hempel-Hai Hong, representing 64% of its issued share capital, and assign to Hempel the Joint Venture Intellectual Property Rights. The total consideration for the sale of the Sale Shares, the assignment of the Joint Venture Intellectual Property Rights and the grant of all other rights to Hempel under and pursuant to the Share Purchase Agreement is HK\$1,146,496,000, which will be settled in cash by Hempel on Completion.

1.1 COMPLETION

Completion is conditional upon satisfaction of the following:

- (i) the approval of the Share Purchase Agreement, the sale of the Sale Shares, the assignment of the Joint Venture Intellectual Property Rights and the transactions contemplated under the Share Purchase Agreement by the Shareholders in such manner as is required by the Listing Rules;
- (ii) the termination agreement in the agreed form set out in the Share Purchase Agreement in relation to the termination of the Joint Venture Agreement and the release and discharge of HHCI from all its obligations (save for breaches by HHCI which have accrued prior to Completion) under the Joint Venture Agreement has been entered into between HHCI, Hempel and Hempel-Hai Hong; and
- (iii) the assumption by Hempel subject to and with effect from Completion of all obligations of the Company under the Guarantee from the Completion Date and the full release and discharge of the Company from all of its obligations under the Guarantee with effect from Completion.

The Seller may at any time waive in whole or in part and conditionally or unconditionally the condition set out in paragraph (iii) above by notice in writing to Hempel.

If the conditions are not satisfied or waived on or before 28 February 2009, the Share Purchase Agreement shall lapse.

Completion shall take place on 5 January 2009 or on the third business day after the conditions are satisfied or waived (whichever is the later) or on such other date as may be agreed between the Seller and Hempel.

1.2 OTHER KEY TERMS OF THE SHARE PURCHASE AGREEMENT

Pre-completion Undertakings

The Seller and Hempel have undertaken to each other that Hempel-Hai Hong shall not declare, make or pay any dividend or other distribution to its shareholders prior to Completion.

Assignment of Other Intellectual Property

In addition to the Joint Venture Intellectual Property Rights, the Seller also agrees to assign, or procure the relevant member(s) of the Group to assign, upon request by Hempel at any time within two years from the Completion Date, all other intellectual property (if any) beneficially owned by any member of the Group in respect of the business of the manufacturing, marketing and selling of paints, thinners, varnishes, anti-fouling and coatings and related products carried on by Hempel-Hai Hong Group Companies in the Restricted Territory at the date of the Share Purchase Agreement, free from any encumbrances at a total consideration of HK\$10.00 which shall be payable by Hempel on the date of assignment.

Representations and Warranties

The Seller has made a number of representations and warranties under the Share Purchase Agreement with respect to its title over the Sale Shares.

Guarantee by the Company

The Company has guaranteed the performance by the Seller of its obligations under the Share Purchase Agreement.

Deed of Covenant

The Seller and the Company will enter into a deed of covenant with Hempel and Hempel-Hai Hong on or prior to Completion pursuant to which the Seller will agree that, subject to certain customary exceptions, it will not for a period commencing from the Completion Date to 31 December 2013: (i) engage in any Restricted Business or any other business competitive with any part of the Restricted Business within the Restricted Territory, (ii) solicit any customers of Hempel-Hai Hong or any Hempel-Hai Hong Group Company for any Relevant Goods or Services, (iii) interfere with the supplies to Hempel-Hai Hong and the Hempel-Hai Hong Group Companies, (iv) disclose or use any confidential information of Hempel-Hai Hong and (v) carry on a business under the name “Hempel”, “Prizm”, “Hai Hong” or “Seagull”. In addition, the Seller will also agree that for a period commencing from the Completion Date to 31 December 2011, it will not solicit, encourage or entice certain employees of Hempel-Hai Hong or any other member of the Hempel-Hai Hong Group to terminate their employment with Hempel-Hai Hong or the relevant member of the Hempel-Hai Hong Group.

The Company has undertaken to procure each member of the Group to also comply with the above.

2 INFORMATION ABOUT HEMPEL-HAI HONG AND THE HEMPEL-HAI HONG GROUP COMPANIES

Hempel-Hai Hong is a joint venture company incorporated in Hong Kong and established between the Company and Hempel in 1991 pursuant to the Joint Venture Agreement. As of the date of this announcement, Hempel-Hai Hong is owned as to 64% by the Company through the Seller, and as to 36% by Hempel.

The principal activities of Hempel-Hai Hong are sale of paint products and investment holding. The principal activities of the Hempel-Hai Hong Group Companies are manufacturing and sale of paint products under the licence from Hempel which will expire on 1 July 2011.

According to the audited consolidated financial statements of Hempel-Hai Hong for 2007, the consolidated net asset value of Hempel-Hai Hong and that attributable to the Sale Shares as at 31 December 2007 is HK\$779.02 million and HK\$498.57 million, respectively.

The audited consolidated profits (both before and after taxation and extraordinary items) of Hempel-Hai Hong and that attributable to the Sale Shares for the two years ended 31 December 2006 and 31 December 2007 are set out below:

	For the financial year ended	
	31 December 2006	31 December 2007
	<i>HK\$ million</i>	<i>HK\$ million</i>
Hempel-Hai Hong		
Profit before taxation and extraordinary items	181.85	272.99
Profit after taxation and extraordinary items	157.93	237.27
Attributable to the Sale Shares		
Profit before taxation and extraordinary items	116.38	174.71
Profit after taxation and extraordinary items	101.07	151.85

3 REASONS FOR THE TRANSACTION

The core business of the Group includes ports and ports-related business. It has been the strategy of the Group to continue to strengthen and develop its ports and ports-related business through investment in new berths and port facilities and the acquisition of high quality ports business.

The Directors consider that Hempel-Hai Hong's existing business of manufacturing and sales of paint products does not complement with the core business of the Group. It has been a long-term strategy of the Group to divest its non-core business. Pursuant to such strategy, the Group has disposed of its non-core business including its shipping business, toll road business and its interests in two cross-harbour tunnels in Hong Kong since 2004. The Transaction will benefit the Company by allowing the management and the Directors to focus the resources of the Group on ports and ports-related business.

The terms of the Share Purchase Agreement have been determined through arm's length negotiations between the parties. The Directors, other than the independent non-executive Directors, consider that the Share Purchase Agreement has been entered into on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The view of the independent non-executive Directors, after considering the advice from the Independent Financial Adviser, will be set out in the circular.

The consideration for the Transaction was determined on the basis of arm's length negotiations between the parties, taking into account various industry and market factors as well as the historical earnings and net asset value of Hempel-Hai Hong.

4 FINANCIAL EFFECTS OF THE TRANSACTION

Upon Completion, the Company will no longer have any interests in Hempel-Hai Hong and Hempel-Hai Hong will cease to be a subsidiary of the Company. Therefore, the assets, liabilities and financial results of Hempel-Hai Hong will no longer be consolidated in the consolidated financial statements of the Company.

Based on the net asset value attributable to the Sale Shares as at 31 December 2007, it is estimated that the Group will recognize a gain before taxation of approximately HK\$701 million, being the difference between the consideration of the Sale Shares less the net asset value attributable to the Sale Shares as at 31 December 2007 and the reserves released upon disposal of the Sale Shares. This gain is expected to change at Completion when it is calculated based on the net asset value attributable to the Sale Shares at the date of Completion.

5 USE OF PROCEEDS FROM THE TRANSACTION

The entire amount of the proceeds of the Transaction is intended to be used for its general working capital and to fund possible future investment opportunities of the Company in ports and ports-related business, although specific opportunities utilizing such proceeds have not been identified.

6 GENERAL INFORMATION

The Company is one of the leading port investors and developers in China with investments and operations span across, among others, Hong Kong, Shenzhen, Shanghai, Ningbo, Qingdao, Tianjin, Xiamen Bay and Zhanjiang. The Company also has investments in port projects in Vietnam.

Hempel is a company incorporated in Denmark. It is principally engaged in the manufacturing of paints. Hempel holds a 36% interest in Hempel-Hai Hong and as such, is a connected person of the Company as it is a substantial shareholder of a subsidiary of the Company.

7 LISTING RULES IMPLICATIONS

As Hempel is a substantial shareholder of Hempel-Hai Hong, which in turn is a subsidiary of the Company, Hempel is a connected person of the Company as defined under the Listing Rules. Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules exceed 2.5%, the Transaction constitutes a non-exempt connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. In addition, since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules exceed 25% but are less than 75%, the Transaction also constitutes a major transaction of the Company and is subject to the notification, publication and shareholders' approval requirements under the Listing Rules.

CMG, which holds indirectly 1,341,958,976 shares in the Company, representing approximately 55.6% of the issued shares of the Company as at the date of this announcement, has approved the Transaction in writing. The Company will apply to the Stock Exchange for a waiver from compliance with the requirement to hold a shareholders' meeting pursuant to Rule 14A.43 of the Listing Rules on the basis that:

- (i) none of Hempel nor its associates hold any shares in the Company and no Shareholder is required to abstain from voting if the Company were to convene an extraordinary general meeting for the approval of the Transaction;

(ii) written approval from CMG, which holds approximately 55.6% of the issued share capital of the Company through its wholly-owned subsidiaries as at the date of this announcement, has been obtained; and

(iii) CMG, through its wholly-owned subsidiaries, is entitled to vote on the Transaction.

The written approval by CMG has also been accepted in lieu of holding a general meeting to approve the Transaction pursuant to Rule 14.44 of the Listing Rules.

CMG has undertaken to Hempel to procure its subsidiaries holding shares in the Company to vote in favour of the resolution approving the Share Purchase Agreement and the transactions contemplated thereunder should a shareholders' meeting is required to be held.

A circular containing, among other things, the advice of the Independent Financial Adviser and the recommendations of the Independent Board Committee, will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“CMG”	China Merchants Group Limited, a company incorporated in the PRC and the ultimate holding company of the Company
“Company”	China Merchants Holdings (International) Company Limited, a company incorporated in Hong Kong with limited liability and whose ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited
“Completion”	completion of the Transaction
“Completion Date”	the date on which Completion takes place
“Directors”	the directors of the Company

“Group”	the Company together with its subsidiaries, excluding the Hempel-Hai Hong Group
“Guarantee”	the guarantee provided by the Company in favour of The Hongkong and Shanghai Banking Corporation Limited as security for loan facilities to the Hempel-Hai Hong Group
“Hempel”	Hempel A/S, a company incorporated in Denmark
“Hempel-Hai Hong”	Hempel-Hai Hong (China) Limited, a Hong Kong joint venture company which is owned as to 64% indirectly by the Company and as to 36% by Hempel
“Hempel-Hai Hong Group”	Hempel-Hai Hong and its subsidiaries and “Hempel-Hai Hong Group Company” means any of them
“HHCI”	Hai Hong (Chemicals Industry) Company Limited, a company incorporated in the British Virgin Islands and a subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors, namely Mr. Tsang Kam Lan, Mr. Kut Ying Hay, Mr. Lee Yip Wah Peter, Mr. Li Kwok Heem John and Mr. Li Ka Fai David
“Independent Financial Adviser”	Hercules Capital Limited, a licensed corporation to carry on business in type 6 regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the independent financial adviser to the Independent Board Committee and the independent Shareholders in relation to the Transaction

“Joint Venture Agreement”	the joint venture agreement dated 9 October 1991 between Hempel and Hoi Tung Marine Machinery Suppliers Limited (“Hoi Tung”) as amended by (i) the side letter to the joint venture agreement dated 9 October 1991 between Hempel and Hoi Tung; (ii) the agreement dated 24 June 1992 between Hempel, Hoi Tung and Hempel-Hai Hong; (iii) the supplemental joint venture agreement dated 15 February 1996 between HHCI, Hempel, Hoi Tung, Hempel-Hai Hong and Hai Hong Industry (Shenzhen) Company Limited (formerly known as Shenzhen Hai Hong Chemicals Company Limited) (“SHHC”); (iv) the side letter to the supplemental joint venture agreement dated 15 February 1996 between HHCI, Hempel, Hoi Tung, Hempel-Hai Hong and SHHC; and (v) second supplemental joint venture agreement entered into in 2001 between Hempel and HHCI;
“Joint Venture Intellectual Property Rights”	the trademarks listed in the Share Purchase Agreement which are to be assigned to Hempel
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	The People’s Republic of China which, for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Relevant Goods or Services”	goods or services identical to or competitive with those which Hempel-Hai Hong or any Hempel-Hai Hong Group Company was during the period of two years prior to Completion supplying for the purposes of the Restricted Business
“Restricted Business”	the business of the manufacturing, marketing and selling of paints, thinners, varnishes, anti-foulings and coatings and related products carried on by Hempel-Hai Hong Group Companies in the Restricted Territory at the date of the deed of covenant to be entered into between the Seller, the Company, Hempel and Hempel-Hai Hong on or prior to Completion

“Restricted Territory”	PRC, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Sale Shares”	the 678,400 ordinary shares with a nominal value of HK\$100 each in the capital of Hempel-Hai Hong held by the Seller
“Seller”	Hoi Hung HHH (BVI) Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company
“Share Purchase Agreement”	the share purchase agreement dated 15 November 2008 entered into between the Company, the Seller and Hempel in relation to the sale of the Sale Shares and assignment of the Joint Venture Intellectual Property Rights and other intellectual property (if any)
“Shareholders”	the shareholders of the Company
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Transaction”	the sale of the Sale Shares, the assignment of the Joint Venture Intellectual Property Rights and other intellectual property (if any) to Hempel pursuant to the Share Purchase Agreement and the grant of all other rights to Hempel under and pursuant to the Share Purchase Agreement

By Order of the Board
China Merchants Holdings (International) Company Limited
Fu Yuning
Chairman

Hong Kong, 16 November 2008

As at the date of this announcement, the Board comprises Dr. Fu Yuning, Mr. Li Yinquan, Mr. Hu Zheng, Mr. Meng Xi, Mr. Su Xingang, Mr. Hu Jianhua, Mr. Wang Hong, Mr. Yu Liming and Mr. To Wing Sing as executive Directors; and Mr. Tsang Kam Lan, Mr. Kut Ying Hay, Mr. Lee Yip Wah Peter, Mr. Li Kwok Heem John and Mr. Li Ka Fai David as independent non-executive Directors.