



招商局國際有限公司

CHINA MERCHANTS HOLDINGS (INTERNATIONAL) COMPANY LIMITED

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

(Stock Code: 144)

CONTINUING CONNECTED TRANSACTION LEASE AGREEMENT

SUMMARY

On 20 May 1989, SCT1 entered into the SCT1 Lease Agreement with CMSIZ1 for a term of 30 years to lease a piece of land in Shekou with a total area of 204,027.68 square meters. Rental was charged at HK\$5 per square meter per annum from 1 April 1991, subject to an increase of 30% for every 3 years.

As SCT1 became a non wholly-owned subsidiary of the Company upon Stage 1 Completion of the SCT Restructuring, the SCT1 Lease Agreement now constitutes a continuing connected transaction for the Company under Rule 14A.34 of the Listing Rules. As the maximum potential aggregate annual rental during the term of the lease payable by SCT1 to CMSIZ1 (when aggregated under Rule 14A.25 of the Listing Rules) is more than 0.1% but less than 2.5% of the applicable percentage ratios, the SCT1 Lease Agreement is only subject to reporting and announcement requirements under Rule 14A.34 of the Listing Rules. Details of the SCT1 Lease Agreement will be included in the annual report and accounts of the Company of each of the relevant financial years in accordance with Rule 14A.46 of the Listing Rules and is subject to annual review requirements under Rule 14A.37 to 14A.40 of the Listing Rules.

The purpose of this announcement is to provide the Shareholders with information on the SCT1 Lease Agreement in accordance with the Listing Rules.

BACKGROUND

Upon Stage 1 Completion of the SCT Restructuring on 22 February 2007, SCT 1 became a non wholly-owned subsidiary of the Company. Consequently, the SCT1 Lease Agreement that had been entered into before Stage 1 Completion now constitutes a continuing connected transaction for the Company under Rule 14A.34 of the Listing Rules. Set out below are details of the SCT1 Lease Agreement.

SCT1 LEASE AGREEMENT

Commencement of lease: 20 May 1989

Parties: SCT1, an indirect 70%-owned subsidiary of the Company, as lessee
CMSIZ1, a connected person of the Company, as lessor

Premise: Land in Jetty III Shekou Container Terminal with a total area of 204,027.68 square meters

Term: 30 years (expiring 19 May 2019)

Use: Operation of port and port-related business

Rental: Rental was charged at HK\$5 per square meter per annum from 1 April 1991, subject to an increase of 30% for every 3 years.
As at 20 April 2007, the annual rental payable was HK\$3,787,570 (being approximately HK\$18.56 per square meter).
The next rental increase will be effective on 1 April 2009.

The land leased under the SCT1 Lease Agreement is crucial to the operation of SCT1 as all its port facilities and equipment are currently affixed to it.

For the purpose of Rule 14A.35(2) of the Listing Rules, the historical rentals paid and the annual caps in respect of the rentals to be paid by SCT1 to CMSIZ1 under the SCT1 Lease Agreement are listed below. The annual caps for the financial years ended 31 December 2007, 2008 and 2009 are equivalent to the rentals payable under the SCT1 Lease Agreement.

Financial Year Ended 31 December	Rental Expenses
2004	HK\$2,913,515
2005	HK\$2,913,515
2006	HK\$3,569,056 ⁽¹⁾

Financial Year Ending 31 December	Rental Payable
2007	HK\$3,787,570
2008	HK\$3,787,570
2009	HK\$4,639,774 ⁽²⁾

Notes:

- Pursuant to the SCT1 Lease Agreement, the rental payable had increased by 30% to HK\$3,787,570 per annum with effect from 1 April 2006. The rental expenses in respect of the land for the financial year ended 31 December 2006 represented the sum of three months' rent charged under the old rent of HK\$2,913,515 per annum and nine months' rent under the new rent of HK\$3,787,570 per annum.
- The next rental increase falls on 1 April 2009. The figure represents the sum of three months' rent under the current rent and nine months' rent under the revised rent.

The rental payable by SCT1 was negotiated on an arms-length basis with reference to the market value of the land. The Directors, including the independent non-executive Directors, are of the view that the SCT1 Lease Agreement was entered into on normal commercial terms and in the ordinary and usual course of business of the Company and that the SCT1 Lease Agreement and the proposed annual caps (as stated above) are fair and reasonable and in the interests of the Shareholders as a whole.

As the maximum potential aggregate annual rental during the term of the lease payable by SCT1 to CMSIZ1 (when aggregated under Rule 14A.25 of the Listing Rules) is more than 0.1% but less than 2.5% of the applicable percentage ratios, the SCT1 Lease Agreement is only subject to reporting and announcement requirements under Rule 14A.34 of the Listing Rules. The Company has other existing lease arrangements with subsidiaries of CMG. The maximum potential aggregate annual rental during the term of the SCT1 Lease Agreement and these other existing lease arrangements (when aggregated under Rule 14A.25 of the Listing Rules) is also less than 2.5% of the applicable percentage ratios. Details of the SCT1 Lease Agreement will be included in the annual report and accounts of the Company of each of the relevant financial years in accordance with Rule 14A.46 of the Listing Rules and is subject to annual review requirements under Rule 14A.37 to 14A.40 of the Listing Rules. In the event of any variation or renewal of the SCT1 Lease Agreement in the future, the Company will comply in full with all applicable reporting,

disclosure and independent shareholders' approval requirements in accordance with Rule 14A.41 of the Listing Rules in respect of all continuing connected transactions effected after such variation or renewal.

DETAILS OF CMSIZ1 AND SCT1

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

CMSIZ1 is an indirectly wholly-owned by CMG, the ultimate holding company of the Company. CMSIZ1 is therefore a connected person of the Company. The principal business of CMSIZ1 is the leasing of properties and real estate in Shekou, Shenzhen, the PRC.

SCT1 was a 50%-owned jointly controlled entity of the Company before Stage 1 Completion of the SCT Restructuring. Upon Stage 1 Completion on 22 February 2007 however, SCT1 became a wholly-owned subsidiary of Mega SCT. Since Mega SCT is a 70%-owned subsidiary of the Company, SCT1 is an indirect non-wholly-owned subsidiary of the Company. The principal business of SCT1 is the operation of Berths No. 1 and 2 at Jetty III Shekou Container Terminal in Shenzhen, the PRC.

DEFINITIONS

"associate"	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 which is the ultimate holding company of the Company holding approximately 57.11% of the entire issued share capital of the Company
"CMSIZ1"	招商局蛇口工業區房地產有限公司 (China Merchants Shekou Industrial Zone Property Company Limited, being the unofficial English name), a company incorporated in the PRC and an indirect wholly-owned subsidiary of CMG
"Company"	China Merchants Holdings (International) Company Limited, a company incorporated in Hong Kong and whose shares are listed on the Main Board of the Stock Exchange
"connected person"	has the meaning ascribed to it in the Listing Rules
"Group"	the Company together with its subsidiaries
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special administrative region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Mega SCT"	Mega Shekou Container Terminals Limited, a company incorporated in the British Virgin Islands which currently holds, among others, 100% interest in SCT1
"Mega SCT Group"	Mega SCT together with its subsidiaries
"MTL"	Modern Terminals Limited
"PRC"	the People's Republic of China
"SCT1"	蛇口集裝箱碼頭有限公司 (Shekou Container Terminals Limited), a wholly foreign owned enterprise established under the laws of the PRC
"SCT1 Lease Agreement"	the lease agreement entered into between SCT1 as lessee and CMSIZ1 as lessor dated 20 May 1989
"SCT Restructuring"	the restructuring process of the Group pursuant to a rationalisation agreement entered into between the Company and MTL on 14 December 2006 whereby SCT1 became a wholly-owned subsidiary of Mega SCT. Please see further the Company's announcement dated 14 December 2006 and the circular to shareholders issued by the Company on 26 January 2007
"Shareholders"	the shareholders of the Company
"Stage 1 Completion"	completion of the initial stage of the SCT Restructuring
"Stage 1 Completion Date"	22 February 2007
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

By Order of the Board
CHINA MERCHANTS HOLDINGS (INTERNATIONAL)
COMPANY LIMITED
Fu Yuning
Chairman

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. Wang Hong, Mr. Yu Liming and Mr. To Wing Sing who are the executive Directors, Mr. Tsang Kam Lan, Mr. Kut Ying Hay, Mr. Lee Yip Wah Peter and Mr. Li Kwok Heem John who are the independent non-executive Directors.

Hong Kong, 7 May 2007