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中國糧油國際有限公司

COFCO INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 506)

CONNECTED AND DISCLOSEABLE TRANSACTIONS

The Board is pleased to announce that on 27 March 2006, COFCO BVI and COFCO Wines, both wholly-owned subsidiaries of the Company, entered into the Golden Fan Agreement and the Yantai Greatwall Agreement respectively.

COFCO BVI, a wholly-owned subsidiary of the Company, entered into the Golden Fan Agreement with First Channel and the Guarantors whereby COFCO BVI will purchase from First Channel the entire issued share capital in Golden Fan for a consideration of RMB309,000,000 (equivalent to approximately HK\$297,115,385). COFCO BVI has entered into the Golden Fan Agreement with a view to acquiring the remaining 40% Equity interests in COFCO Greatwall. COFCO Greatwall is currently owned as to 60% by COFCO BVI and as to 40% by Golden Fan. Upon completion of the Golden Fan Agreement, COFCO Greatwall will be wholly-owned by the Company. The completion of the Golden Fan Agreement is conditional upon, among other things, the registration of transfer under the Yantai Greatwall Agreement.

COFCO Wines, a wholly-owned subsidiary of the Company, has entered into the Yantai Greatwall Agreement with Shandong Longhua Company whereby COFCO Wines will purchase from Shandong Longhua Company 40% Equity interests in Yantai Greatwall for a consideration of RMB1,000,000 (equivalent to approximately HK\$961,538). COFCO Wines has entered into the Yantai Greatwall Agreement with a view to acquiring the remaining 40% Equity interests in Yantai Greatwall. Yantai Greatwall is currently owned as to 60% by COFCO Wines and as to 40% by Shandong Longhua Company. Upon completion of the Yantai Greatwall Agreement, Yantai Greatwall will be wholly-owned by the Company.

For the purpose of Chapter 14A of the Listing Rules, First Channel and Shandong Longhua Company are both connected persons of the Company. Since the applicable percentage ratio for the Transactions computed pursuant to Rule 14.04(9) of the Listing Rules, when aggregated, exceeds 5%, each of the Transactions constitutes a connected and discloseable transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules and the disclosure requirements of Chapter 14 of the Listing Rules. As no shareholder of the Company is required to abstain from voting if the Company were to convene a general meeting for approving the Transactions, an application will be made to the Stock Exchange for a waiver from the strict compliance with the requirement to hold a general meeting to approve the Transactions on the basis of a written independent shareholders' approval given in accordance with Rule 14A.43 of the Listing Rules.

A composite circular containing details of the Transactions, a letter from the independent board committee in relation to the Transactions, a letter from the independent financial adviser in relation to the Transactions, will be dispatched to the shareholders of the company as soon as practicable.

THE GOLDEN FAN AGREEMENT

Date

27 March 2006

Parties

- (1) COFCO BVI, as the purchaser;
- (2) First Channel, as the vendor;
- (3) Mr Chen Yun Chang, as one of the Guarantors;
- (4) Ms Chen Lei, as one of the Guarantors; and
- (5) Mr Jiang Hong Jun, as one of the Guarantors.

Pursuant to the Golden Fan Agreement, the Guarantors will jointly and severally guarantee the obligations of First Channel under the Golden Fan Agreement.

Assets Involved

Pursuant to the Golden Fan Agreement, First Channel will transfer the entire issued share capital of Golden Fan to COFCO BVI.

Golden Fan, an investment holding company incorporated in the BVI for the purpose of holding the 40% of the equity interests in COFCO Greatwall acquired from Shandong Longhua Company by an equity transfer agreement dated 28 November 2005. Such equity transfer agreement has been approved by the Relevant Approval Authority in PRC on 25 January 2006 and a new business licence of COFCO Greatwall has been issued on 14 February 2006 to reflect such transfer. Accordingly, the equity interests of COFCO Greatwall is currently held as to 60% by COFCO BVI and 40% by Golden Fan. COFCO Greatwall engages in the business of producing, selling and distributing wine under the “Greatwall” brand and other grape-based beverage, juice and the growing of grapes at its base in Yantai. It does not have any subsidiaries.

By acquiring the entire issued share capital in Golden Fan, COFCO BVI will, upon completion of the Golden Fan Agreement, hold the entire equity interests in COFCO Greatwall and COFCO Greatwall will be wholly-owned by the Company.

Consideration

RMB309,000,000, payable in HK\$ by four installments as follows:

Installment:	The HK\$ equivalent of RMB, unless otherwise stated (note 1)
A deposit, payable within 3 working days from the date of the Golden Fan Agreement	RMB40,144,000 (equivalent to HK\$38,600,000)
The first installment, within 7 working days from the completion of the Golden Fan Agreement	60% of the Purchase Price Balance (note 2)
The second installment, within 3 months from the date when the first installment is paid	30% of the Purchase Price Balance (note 2)
The third installment, within 6 months from the date when the second installment is paid	10% of the Purchase Price Balance (note 2)

note 1: unless otherwise stated, the amount payable for each installment is expressed in RMB and is converted into HK\$ on the basis of the bid rate of the closing exchange rate of HK\$ to RMB as announced by the Bank of China on the due date of each installment

note 2: the Purchase Price Balance is RMB268,856,000 being the consideration of the Golden Fan Agreement less the deposit (being RMB40,144,000).

Completion

The Golden Fan Agreement will complete within three working days of the following conditions (among others) being satisfied or otherwise waived by COFCO BVI (except for (d) below): (a) the irrevocable and unconditional discharge and release from certain claims, guarantee and credit transactions; (b) the termination of certain contracts and commercial arrangements referred to in the Golden Fan Agreement; (c) registration of the transfer under the Yantai Greatwall Agreement; and (d) the Company obtaining the independent shareholders’ approval in connection with the Golden Fan Agreement, if applicable.

Pursuant to the Golden Fan Agreement, unless the parties agree otherwise the parties must complete the Golden Fan Agreement within 3 months from the date of such agreement, failing which COFCO BVI is entitled to rescind such agreement and have the deposit refunded.

Guarantee

Upon signing the Golden Fan Agreement, First Channel and the Guarantors have agreed to procure Shandong Longhua Company to provide with COFCO BVI a guarantee on the same date whereby Shandong Longhua Company will guarantee the obligation of First Channel to refund the deposit payable by COFCO BVI under the Golden Fan Agreement, in the event that the completion of the Golden Fan Agreement does not take place.

Appropriation of Profits

Pursuant to the Golden Fan Agreement, Shandong Longhua Company, the predecessor of Golden Fan, is entitled to 40% of the distribution of profits attributable to COFCO Greatwall from January 2005 to October 2005 (being proportional to its former equity interests in COFCO Greatwall) and COFCO BVI is exclusively entitled to the distribution of all the profits of COFCO Greatwall from November 2005 onwards (inclusive). *(Note: COFCO BVI is entitled to 60% of the distribution of profits attributable to COFCO Greatwall from January 2005 to October 2005, being proportional to its equity interests in COFCO Greatwall during the same period.)*

Connected Person

Golden Fan is a substantial shareholder of COFCO Greatwall, a non-wholly owned subsidiary of the Company, and is therefore a connected person of the Company within the meaning of Chapter 14A of the Listing Rules. By virtue of being the sole shareholder of Golden Fan, First Channel is an associate of Golden Fan, and accordingly, a connected person of the Company.

Information about COFCO BVI and First Channel

COFCO BVI, an investment holding company incorporated in the BVI which is wholly owned by the Company, currently owns 60% equity interests in COFCO Greatwall.

First Channel, an investment company incorporated in the BVI for the purpose of holding the entire issued capital in Golden Fan, is owned as to 85% by Mr Chen Yun Chang, 10% by Ms Chen Lei and 5% by Mr Jiang Hong Jun. Golden Fan currently owns 40% equity interests in COFCO Greatwall.

THE YANTAI GREATWALL AGREEMENT

Date

27 March 2006

Parties

- (1) COFCO Wines as the purchaser; and
- (2) Shandong Longhua Company as the vendor.

Assets Involved

Pursuant to the Yantai Greatwall Agreement, Shandong Longhua Company will transfer 40% equity interests in Yantai Greatwall to COFCO Wines.

Yantai Greatwall, a company established in accordance with PRC law, is owned as to 60% by COFCO Wines and as to 40% by Shandong Longhua Company. Yantai Greatwall engages in the business of selling and distributing wine under the "Greatwall Brand" and other grape-based beverage and juice. It does not have any subsidiaries.

COFCO Wines, a wholly foreign owned enterprise established in accordance with PRC law, is a wholly-owned subsidiary of the Company. Upon completion of the Yantai Greatwall Agreement, COFCO Wines will hold the entire equity interests in Yantai Greatwall and Yantai Greatwall will be wholly-owned by the Company.

Consideration

RMB1,000,000, payable within 3 working days of all the conditions for payment being satisfied, and in any event, not more than 3 months from the date of the Yantai Greatwall Agreement. Such conditions include, among others, (a) the irrevocable and unconditional discharge and release from certain claims, guarantee and credit transactions; (b) the termination of certain contracts and commercial arrangements referred to in the Yantai Greatwall Agreement; and (c) the Company obtaining the independent shareholders' approval in connection with the Yantai Greatwall Agreement, if applicable.

Registration of transfer

The parties will proceed to register the transfer with the Relevant Administration of Industry and Commerce within 5 working days from the date the consideration is paid. The registration of transfer is a condition precedent to the completion of the Golden Fan Agreement.

Connected Person

Shandong Longhua Company is a substantial shareholder of Yantai Greatwall, a non-wholly owned subsidiary of the Company, and is therefore a connected person of the Company within the meaning of Chapter 14A of the Listing Rules.

Information about COFCO Wines and Shandong Longhua Company

COFCO Wines, a company established under PRC law which is wholly owned by the Company, currently owns 60% equity interests in Yantai Greatwall.

Shandong Longhua Company, an investment company, is engaged in the business of winery, viticulture and technology, machinery products sales, research and development of glass products, development of smart electronic products, real estate development, management and lease through its subsidiaries. It is owned as to 85% by Chen Yun Chang, 10% by Chen Lei and 5% by Jiang Hong Jun. It owns 40% equity interests in Yantai Greatwall.

Shandong Longhua Company has entered into a joint venture agreement with COFCO BVI on 12 January 2006 for the Navavalley Joint Venture, details of which were disclosed in the Company's Announcement on 12 January 2006.

BASIS OF DETERMINING THE CONSIDERATIONS OF THE TRANSACTIONS

The considerations of the Golden Fan Agreement and the Yantai Greatwall Agreement were determined on an aggregate basis after arm's length negotiation between the parties involved and having considered the combined net book value of the 40% equity interests in COFCO Greatwall and Yantai Greatwall as at 31 December 2004, the audited combined net profit after taxation of COFCO Greatwall and Yantai Greatwall for the year ended 31 December 2004, and prevailing price to earnings multiples of the industry comparables.

As at 31 December 2004, the combined net asset value attributable to the 40% equity interests in COFCO Greatwall and Yantai Greatwall is approximately RMB55,071,865 (approximately HK\$51,954,590), as extracted from the respective audited accounts of COFCO Greatwall and Yantai Greatwall of 2004 prepared in accordance with PRC GAAP.

The original cost of purchase of the 40% equity interests in COFCO Greatwall is approximately RMB40,144,000 (HK\$38,600,000), being the purchase price paid by Golden Fan to Shandong Longhua Company under the equity transfer agreement dated 28 November 2005. The portion of registered capital contributed by Shandong Longhua Company to COFCO Greatwall was approximately RMB25,600,000 (equivalent to HK\$24,150,943). The original cost of purchase of the 40% equity interests in Yantai Greatwall is approximately RMB400,000 (equivalent to HK\$377,358), being the portion of registered capital contributed by Shandong Longhua Company to Yantai Greatwall.

The combined net profits attributable to the 40% equity interests in COFCO Greatwall and Yantai Greatwall, as extracted from the respective audited accounts of COFCO Greatwall and Yantai Greatwall of 2003 and 2004 both prepared in accordance with PRC GAAP, are set out in the following table:

	Combined net profits of the year ended 31 December 2003	Combined net profits of the year ended 31 December 2004
Before tax and extraordinary items	RMB22,183,223 (HK\$20,927,569)	RMB31,342,976 (HK\$29,568,845)
After tax and extraordinary items	RMB16,309,248 (HK\$15,386,083)	RMB24,602,651 (HK\$23,210,048)

Based on the representations of First Channel and the Guarantors in the Golden Fan Agreement and to the best knowledge of the Directors, (i) as at the date of the Golden Fan Agreement, Golden Fan does not have any liabilities or assets, other than its 40% equity interests in COFCO Greatwall; and (ii) no profit or loss has been recorded in relation to Golden Fan since its incorporation date.

The payment of the considerations by COFCO BVI and COFCO Wines for the Transactions will be funded by internal sources.

REASONS AND BENEFITS OF ENTERING INTO THE TRANSACTIONS

The Company has five food related core businesses including the production and sale of wines. The Directors (other than the independent non-executive Directors whose view will be set out in the circular to be dispatched to the shareholders together with the advice of the independent financial adviser to be appointed) consider that the terms of the Golden Fan Agreement and the Yantai Greatwall Agreement are on normal commercial terms, and are fair and reasonable and in the interests of the company and its shareholders of the Company as a whole. The acquisition of the remaining 40% interests in COFCO Greatwall and Yantai Greatwall held by Golden Fan and Shandong Longhua Company respectively enables the Company to obtain the full ownership of such entities on terms it considers to be appropriate. With full management control of COFCO Greatwall and Yantai Greatwall after the completion of the Transactions, the Group would have full control of its all key wineries in the PRC, including China Great Wall Wine Co., Ltd., and COFCO Huaxia Greatwall Wine Co., Ltd.. The Directors believe that there will be synergy effect among these wineries after the completion of the Transactions with centralized management, sales and marketing of Greatwall wine under the "Greatwall" brand which the Group has an exclusive right to use.

COMPLIANCE WITH THE LISTING RULES

When the Transactions contemplated under the Golden Fan Agreement and the Yantai Greatwall Agreement are aggregated for the purpose of computing the applicable percentage ratios pursuant to Rule 14.04(9) of the Listing Rules, the percentage ratio of the Transactions exceeds 5%. Therefore, the Transactions are subject to the reporting, announcement and independent shareholders' approval requirement under Chapter 14A of the Listing Rules and the disclosure requirements under Chapter 14 of the Listing Rules. An independent board committee of the Company will be established to advise the independent shareholders of the Company, and an independent financial adviser will be appointed to advise the independent board committee and the independent shareholders as to whether the Transactions are on normal commercial terms, and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Each of First Channel, the Guarantors and Shandong Longhua Company has confirmed to the Company that neither it/he/she nor its/his/her associates have any interest in any shares of the Company giving the right to attend and vote at general meetings of the Company. As such, none of the shareholders of Company is required to abstain from voting on the Transactions if the Company were to convene a general meeting for approving the Transactions.

Application will be made to the Stock Exchange for a waiver from strict compliance with the requirement to hold a shareholder's meeting to approve the Transactions on the basis of a written independent shareholders' approval given in accordance with Rule 14A.43 of the Listing Rules.

Wide Smart Holdings Limited, the controlling shareholder of the Company, is beneficially interested in 1,054,810,949 Shares representing approximately 59.89% of the issued share capital of the Company, has indicated that it approves the Transactions and the Company will procure the signing of written independent shareholders' approvals as required under Rule 14A.43, failing which a shareholders' meeting will be convened for the purpose of approving the Transactions.

A composite circular containing details of the Transactions, a letter from the independent board committee in relation to the Transactions, a letter from the independent financial adviser in relation to the Transactions, will be dispatched to the shareholders of the company as soon as practicable.

GENERAL INFORMATION ABOUT THE COMPANY

The Company is an investment holding company. Through its subsidiaries and associated companies, it is principally engaged in food processing and related businesses which include edible oils, soyabean meal and related products; wineries; confectionery; trading and flour milling.

DEFINITIONS

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

“Board”	the board of Directors of the Company
“COFCO BVI”	COFCO (BVI) No. 30 Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“COFCO Greatwall”	COFCO Greatwall Winery (Yantai) Co., Ltd. 中糧長城葡萄酒(煙台)有限公司, formerly known as Yantai COFCO Winery Co., Ltd. 煙台中糧葡萄酒釀酒有限公司, established in PRC and is owned as to 60% by COFCO BVI and as to 40% by Golden Fan
“COFCO Wines”	COFCO Wines and Spirits Co., Ltd 中糧酒業有限公司, a wholly foreign owned enterprise established in PRC and a wholly owned subsidiary of the Company
“Company”	COFCO International Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Directors”	means all the directors of the Company, the names of whom are set out at the end of this announcement
“First Channel”	First Channel International Limited, a company incorporated in the BVI beneficially owned by the Guarantors
“Golden Fan”	Golden Fan Limited, a company incorporated in the BVI, a wholly-owned subsidiary of First Channel and a substantial shareholder of COFCO Greatwall
“Golden Fan Agreement”	the conditional agreement between COFCO BVI, First Channel and the Guarantors in relation to the sale and purchase of the entire issued share capital of Golden Fan dated 27 March 2006
“Group”	The Company and its subsidiaries
“Guarantors”	Mr Chen Yun Chang, Ms Chen Lei and Mr Jiang Hong Jun
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Special Administrative Region of Hong Kong
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Navavalley Joint Venture”	COFCO Navavalley Jundung Vineyard Co. Ltd. 中糧南王山谷君頂酒莊有限公司, a foreign invested joint venture established in the PRC by Shandong Longhua Company and COFCO BVI
“PRC” or “China”	The People’s Republic of China

“Relevant Administration of Industry & Commerce”	Yantai Administration of Industry and Commerce
“Relevant Approval Authority”	Yantai Bureau of Foreign Trade and Economic Cooperation
“RMB”	Renminbi, the lawful currency of the PRC
“Shandong Longhua Company”	Shandong Longhua Investment Company Limited 山東隆華投資有限公司, formerly known as Yantai Longhua Investment and Development Limited 煙台隆華投資發展有限公司, is a company established in PRC and a substantial shareholder of Yantai Greatwall
“Shares”	the ordinary shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the transactions contemplated under the Golden Fan Agreement and the Yantai Greatwall Agreement, and “Transaction” shall be taken to mean either of them, as the context requires
“Yantai Greatwall”	Yantai Greatwall Winery Co., Ltd. 煙台長城酒業有限公司, a company established in PRC and is owned as to 60% by COFCO Wines and as to 40% by Shandong Longhua Company
“Yantai Greatwall Agreement”	the conditional agreement between COFCO Wines and Shandong Longhua Company in relation to the transfer of 40% equity interests in Yantai Greatwall dated 27 March 2006

** for reference only*

By Order of the Board
COFCO International Limited
Qu Zhe
Managing Director

Beijing, 27 March 2006

Note: In this announcement, except for the considerations under the Golden Fan Agreement and the Yantai Greatwall Agreement and the purchase price paid by Golden Fan to Shandong Longhua Company under the equity transfer agreement dated 28 November 2005 where the exchange rate for HK\$ to RMB of 1.04 is used, RMB has been translated into Hong Kong dollars at the rate of HK\$1=RMB1.06 for reference purpose.

As at the date of this announcement, our Executive Directors are Messrs. Ning Gaoning, Liu Fuchun, Qu Zhe, Xue Guoping, Liu Yongfu and Yu Xubo; our Independent Non-Executive Directors are Messrs. Stephen Edward Clark, Tan Man Kou and Francis Yuen Tin Fan.

Please also refer to the published version of this announcement in The Standard.