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CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED
招 商 局 中 國 基 金 有 限 公 司

(*Incorporated in Hong Kong with limited liability*)
(Stock Code: 133)

CONTINUING CONNECTED TRANSACTIONS
(a) RENEWAL OF BROKERAGE AGREEMENTS
(b) ENTERING INTO NEW BROKERAGE AGREEMENTS
AND
POSSIBLE MAJOR TRANSACTIONS
RENEWAL OF THE MANDATE FOR THE PROPOSED DISPOSAL OF SHARES IN CHINA MERCHANTS BANK CO., LTD.
AND RENEWAL OF THE MANDATE FOR THE PROPOSED DISPOSAL OF SHARES IN INDUSTRIAL BANK CO., LTD.

A. The Renewed Brokerage Agreements and the New Brokerage Agreements

On 8 November 2010, CMID, a directly wholly-owned subsidiary of the Company, entered into the 2010 Brokerage Agreements with CMS in relation to the securities brokerage services provided by CMS to CMID for a term of three years. In view of the imminent expiry of the 2010 Brokerage Agreements, on 24 October 2013 after the trading hours, CMID renewed the 2010 Brokerage Agreements by entering into the Renewed Brokerage Agreements with CMS on the same terms as those set out in the 2010 Brokerage Agreements.

On 24 October 2013 after the trading hours, Tian Zheng, an indirectly wholly-owned subsidiary of the Company, also entered into the New Brokerage Agreements with CMS in relation to the securities brokerage services provided by CMS to Tian Zheng for a term of three years.

The Company is held as to approximately 27.59% by CMG and CMG holds approximately 45.88% of CMS. Since CMG is a substantial shareholder of the Company and CMS is an associate of CMG, both CMG and CMS are therefore connected persons of the Company. Accordingly, the transactions contemplated under the Renewed Brokerage Agreements and the New Brokerage Agreements are considered to be continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the relevant applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the annual caps of the Renewed Brokerage Commissions and the New Brokerage Commissions, in aggregate, are more than 0.1% but less than 25% and the annual consideration is less than HK$10,000,000, in accordance with Rule 14A.34 of the Listing Rules, the entering into of the Renewed Brokerage Agreements and the New Brokerage Agreements is only subject to the reporting, annual review and announcement requirements but is exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

B. The Proposed Disposals

The Company obtained the 2012 CMB Disposal Mandate and the 2012 IBC Disposal Mandate from its Shareholders for disposal of its shareholdings in CMB and IBC which will expire on 28 November 2013.

(1) The Proposed CMB Disposal

As at the date of this announcement, the Company beneficially owns a total of 63,196,540 CMB A Shares, which are listed and freely tradable on the SSE, representing approximately 0.251% interest in the issued share capital of CMB. If the Group proceeds with the Proposed CMB Disposal and on the assumption that all CMB A Shares held by the Group are to be disposed of, the Proposed CMB Disposal may constitute a major transaction of the Company under Chapter 14 of the Listing Rules. The Proposed CMB Disposal would then be subject to the requirements of announcement, circular and the shareholders' approval under the Listing Rules. In view of the imminent expiry of the 2012 CMB Disposal Mandate, the Board proposes to seek the approval of the Shareholders to grant a disposal mandate to the Directors to dispose of the CMB Interests during the Mandate Period on the terms set out in this announcement.

(2) The Proposed IBC Disposal

Further, as at the date of this announcement, the Company beneficially owns a total of 66,936,000 IBC A Shares, which are listed and freely tradable on the SSE, representing approximately 0.351% interest in the issued share capital of IBC. If the Group proceeds with the Proposed IBC Disposal and on the assumption that all IBC A Shares held by the Group are to be disposed of, the Proposed IBC Disposal may constitute a major transaction of the Company under Chapter 14 of the Listing Rules. The Proposed IBC Disposal would then be subject to the requirements of announcement, circular and the shareholders' approval under the Listing Rules. In view of the imminent expiry of the 2012 IBC Disposal Mandate, the Board also proposes to seek the approval of the Shareholders to grant a disposal mandate to the Directors to dispose of the IBC Interests during the Mandate Period on the terms set out in this announcement.

The Renewed Brokerage Agreements, the New Brokerage Agreements, the Proposed CMB Disposal and the Proposed IBC Disposal are independent of each other and not inter-conditional. However, after the entering into of the Renewed Brokerage Agreements, the Company may continue to dispose of the CMB Interests and/or the IBC Interests through CMS.

A circular, containing further details of the Proposed Disposals together with the notice of the EGM for approving the Proposed Disposals is expected to be despatched to the Shareholders on or about 14 November 2013.

THE RENEWED BROKERAGE AGREEMENTS

CMID, a directly wholly-owned subsidiary of the Company, entered into the 2010 Brokerage Agreements on 8 November 2010 with CMS in relation to the securities brokerage services provided by CMS to CMID for a term of three years. Details of the 2010 Brokerage Agreements were set out in the announcement of the Company dated 8 November 2010. In view of the imminent expiry of the 2010 Brokerage Agreements, on 24 October 2013 after the trading hours, CMID renewed the 2010 Brokerage Agreements by entering into the Renewed Brokerage Agreements with CMS on the same terms as those set out in the 2010 Brokerage Agreements. Details of the Renewed Brokerage Agreements are as follows:-

Date	:	24 October 2013 (after the trading hours)
Effective date	:	24 October 2013
Parties	:	CMID as service receiver CMS as service provider
Nature of transaction	:	Provision of securities brokerage services by CMS to CMID for the trading of securities in the PRC, including, inter alia, carrying out the instructions from CMID, clearing and settlement of securities, providing custodian service of securities, receiving dividend and bonus shares on behalf of CMID, answering queries from CMID regarding the changes of the securities market.

Effective period	: 3 years commencing from 24 October 2013 and expiring on 23 October 2016
Commission rate	: a commission rate of 0.04% on the monetary amount of securities traded through CMS with an annual cap The commission rate was reached after arm's length negotiations between CMID and CMS with reference to the commission rate under the 2010 Brokerage Agreements and the commission rate charged by CMS to its clients who are independent parties of CMS. Based on the market research, the Company considers that the rate of the Renewed Brokerage Commissions to be within the range of commission charged by other securities broker firms in the PRC.
Payment term	: The Renewed Brokerage Commissions will be paid upon settlement of the relevant trading transaction of A shares through CMS.
Annual cap	: (a) 24 October 2013 to 31 December 2013: HK$935,000 (b) 1 January 2014 to 31 December 2014: HK$4,950,000 (c) 1 January 2015 to 31 December 2015: HK$4,950,000 (d) 1 January 2016 to 23 October 2016: HK$4,015,000
Basis of the annual cap	: The annual cap was determined by reference to the historical amount of brokerage commissions paid by CMID to CMS under the 2010 Brokerage Agreements and the estimated volume of securities to be traded through CMS, particularly, taking into account (i) that the Group's investments include listed securities already being traded as well as pre-IPO investments in companies to be listed, (ii) the CMB A Shares required to be disposed of by the Company under the Conditions; (iii) the CMB Interests and the IBC Interests (being listed securities) proposed to be disposed of under the Proposed Disposals; and (iv) the rise in the exchange rate of RMB.

Reasons for the transaction	:	The Group specializes in investing in the PRC. Its investment objective is to acquire quality investments in both listed and unlisted enterprises, in the PRC. Investment in A Shares is in the ordinary course of business of the Group. CMS ranks as one of the top 10 securities companies in the PRC, which can provide a comprehensive securities service including quality brokerage services. The entering into of the Renewed Brokerage Agreements with CMS is therefore in the interests of the Group and the Shareholders. The Directors (including the independent non-executive Directors) are of the view that the Renewed Brokerage Agreements were entered into after arm's length negotiations and reflect normal commercial terms and that the terms of the Renewed Brokerage Agreements are fair and reasonable and in the interests of the Shareholders and the Company.

THE NEW BROKERAGE AGREEMENTS

On 24 October 2013 after the trading hours, Tian Zheng, an indirectly wholly-owned subsidiary of the Company, also entered into the New Brokerage Agreements with CMS in relation to the securities brokerage services provided by CMS to Tian Zheng for a term of three years. Details of the New Brokerage Agreements are as follows:-

Date	:	24 October 2013 (after the trading hours)
Effective date	:	24 October 2013
Parties	:	Tian Zheng as service receiver CMS as service provider
Nature of transaction	:	Provision of securities brokerage services by CMS to Tian Zheng for the trading of securities in the PRC, including, inter alia, carrying out the instructions from Tian Zheng, clearing and settlement of securities, providing custodian service of securities, receiving dividend and bonus shares on behalf of Tian Zheng, answering queries from Tian Zheng regarding the changes of the securities market.
Effective period	:	3 years commencing from 24 October 2013 and expiring on 23 October 2016

Commission rate	:	a commission rate of 0.04% on the monetary amount of securities traded through CMS with an annual cap The commission rate was reached after arm's length negotiations between Tian Zheng and CMS with reference to the commission rate charged by CMS to CMID and to its clients who are independent parties of CMS. Based on the market research, the Company considers that the rate of the New Brokerage Commissions to be within the range of commission charged by other securities broker firms in the PRC
Payment term	:	The New Brokerage Commissions will be paid upon settlement of the relevant trading transaction of A shares through CMS.
Annual cap	:	(a) 24 October 2013 to 31 December 2013: HK$935,000 (b) 1 January 2014 to 31 December 2014: HK$4,950,000 (c) 1 January 2015 to 31 December 2015: HK$4,950,000 (d) 1 January 2016 to 23 October 2016: HK$4,015,000
Basis of the annual cap	:	The annual cap was determined by reference to the estimated volume of securities to be traded through CMS, particularly, taking into account (i) that the Group's investments including listed securities already being traded as well as pre-IPO investments in companies to be listed; and (ii) the rise in the exchange rate of RMB.
Reasons for the transaction	:	The Group specializes in investing in the PRC. Its investment objective is to acquire quality investments in both listed and unlisted enterprises, in the PRC. Investment in A shares is in the ordinary course of business of the Group. CMS ranks as one of the top 10 securities companies in the PRC, which can provide a comprehensive securities service including quality brokerage services. The entering into of the New Brokerage Agreements with CMS is therefore in the interests of the Group and the Shareholders. The Directors (including the independent non-executive Directors) are of the view that the New Brokerage Agreements were entered into after arm's length negotiations and reflect normal commercial terms and that the terms of the New Brokerage Agreements are fair and reasonable and in the interests of the Shareholders and the Company.

INFORMATION ABOUT CMS

CMS is a comprehensive securities company and is engaged in the business of acting as sales agent for financial products, securities brokerage, securities investment consulting, financial advisory in relation to securities transactions and securities investment activities, securities underwriting and initial public offerings sponsorship, proprietary securities trading, securities asset management, securities margin trading, acting as sales agent for securities investment funds, provision of intermediary services to futures companies.

IMPLICATIONS OF THE RENEWED BROKERAGE AGREEMENTS AND THE NEW BROKERAGE AGREEMENTS UNDER THE LISTING RULES

The Company is held as to approximately 27.59% by CMG and CMG holds approximately 45.88% of CMS. Since CMG is a substantial shareholder of the Company and CMS is an associate of CMG, both CMG and CMS are therefore connected persons of the Company. Accordingly, the transactions contemplated under the Renewed Brokerage Agreements and the New Brokerage Agreements are considered to be continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the relevant applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the annual caps of the Renewed Brokerage Commissions and the New Brokerage Commissions, in aggregate, are more than 0.1% but less than 25% and the annual consideration is less than HK$10,000,000, in accordance with Rule 14A.34 of the Listing Rules, the entering into of the Renewed Brokerage Agreements and the New Brokerage Agreements is only subject to the reporting, annual review and announcement requirements but is exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further announcement will be made if each of the amount of the Renewed Brokerage Commissions and the New Brokerage Commissions exceeds the aforesaid annual caps under the Renewed Brokerage Agreements and the New Brokerage Agreements respectively.

To the best of the knowledge and belief of the Directors having made all reasonable enquiry, no Director has a material interest in the transactions contemplated under the Renewed Brokerage Agreements and the New Brokerage Agreements such that he or she must abstain from voting on the relevant board resolution.

THE PROPOSED DISPOSALS

The Company obtained the 2012 CMB Disposal Mandate and the 2012 IBC Disposal Mandate from the Shareholders to dispose of (i) up to 53,830,102 CMB A Shares and the 11,842,622 CMB A rights shares estimated to be allotted and issued to the Company pursuant to the rights issue of CMB A Shares on the basis of up to 2.2 CMB A rights shares for every 10 existing CMB A Shares, the details of which were disclosed in the circular of the Company dated 17 November 2011; and (ii) up to 44,624,000 IBC A Shares held by the Group for a period of 12 months from the passing of the relevant resolutions at the extraordinary general meeting of the Company held on 29 November 2012. Details of the 2012 CMB Disposal Mandate and the 2012 IBC Disposal Mandate were set out in the announcement of the Company dated 18 October 2012 and the circular of the Company dated 9 November 2012.

Having considered the general market conditions, the performance of the CMB A Shares and the IBC A Shares and the circumstances of the Company since the grant of the 2012 CMB Disposal Mandate and the 2012 IBC Disposal Mandate, the Company was of the view that no appropriate opportunity to dispose of the CMB A Shares and the IBC A Shares arose. Therefore up to the date of this announcement, the Company has not disposed of any CMB A Shares and IBC A Shares under the 2012 CMB Disposal Mandate and the 2012 IBC Disposal Mandate.

As at the date of this announcement, 63,196,540 CMB A Shares (including 9,366,438 CMB A rights shares allotted and issued to the Company on 11 September 2013 pursuant to the rights issue of CMB A Shares on the basis of 1.74 CMB A rights shares for every 10 existing CMB A Shares) and 66,936,000 IBC A Shares (including 22,312,000 bonus IBC A Shares received on 3 July 2013 pursuant to the bonus share issue of IBC on the basis of 5 bonus IBC A Shares for every 10 existing IBC A Shares) are held by the Company. It has been the known policy of the Company to dispose of the CMB Interests and the IBC Interests held by the Group in a gradual manner. In view of the imminent expiry of the 2012 CMB Disposal Mandate and the 2012 IBC Disposal Mandate on 28 November 2013, the Board proposes to seek the approval of the Shareholders at the EGM to grant fresh mandates to the Board to dispose of the CMB Interests and the IBC Interests for another 12 months from the date of the EGM.

THE PROPOSED CMB DISPOSAL

Maximum number of CMB A Shares to be disposed of

As at the date of this announcement, the Company beneficially owns a total of 63,196,540 CMB A Shares (including 9,366,438 CMB A rights shares allotted and issued to the Company on 11 September 2013 pursuant to the rights issue of CMB A Shares on the basis of 1.74 CMB A rights shares for every 10 existing CMB A Shares), which are listed and freely tradable on the SSE, representing approximately 0.251% interest in the issued share capital of CMB based on publicly available information.

The Board proposes to seek the approval of the Shareholders to grant a disposal mandate to the Directors to dispose of the CMB Interests during the Mandate Period. The CMB Interests, comprising the 63,196,540 CMB A Shares held by the Company as the date of this announcement, represent the entire interest held by the Group in CMB.

As at the date of this announcement, the Group does not have any discussion with any party to dispose of the CMB Interests. Nevertheless, the Board is of the view that it would be in the best interests of the Shareholders and the Company for the Directors to have flexibility in disposing of the CMB Interests.

After the expiry of the 2012 CMB Disposal Mandate, if the Group proceeds with the Proposed CMB Disposal and on the assumption that all CMB A Shares held by the Group are to be disposed of, the Proposed CMB Disposal may constitute a major transaction of the Company under Chapter 14 of the Listing Rules that would require compliance with the announcement, circular and shareholders' approval requirements under the Listing Rules.

Terms of the CMB Disposal Mandate

The Company proposes to seek the CMB Disposal Mandate for the Proposed CMB Disposal at the EGM on the following terms:-

1. the Group will dispose of the CMB Interests in the open market through the trading system of the SSE;

2. the selling price of the CMB A Shares will be the market price of the CMB A Shares at the relevant times, where market price refers to the price allowed under the trading system of the SSE, but will not be less than RMB9.29 (equivalent to approximately HK$11.72) per CMB A Share; and

3. the disposal mandate will be for a 12-month period from the date of passing of the relevant resolution(s) at the EGM.

Basis for determining the minimum selling price

The minimum selling price of RMB9.29 was determined with reference to the net asset per share of CMB as at 31 December 2012, which is the latest audited figure obtainable for determining the minimum selling price. The minimum selling price reflects the lowest acceptable price to dispose of the CMB A Shares but is not the expected price at which the Company targets to dispose of the CMB A Shares. The Directors will consider various factors including general market conditions, progress of making new investments and performance of existing investments of the Company in exercising the CMB Disposal Mandate.

The minimum selling price for the CMB Disposal Mandate was formulated by the Company with reference to the current price-to-book ratio of certain PRC listed banks. The Company has also taken into account the current price-to-book ratio of the CMB A Shares. In addition, in view of the performance of CMB A Shares, the current and future market conditions and to ensure a more flexible financial position of the Company for new investment opportunities, the Board considers that the adoption of the audited net asset value of CMB as at 31 December 2012 as the current basis for determining the minimum selling price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The minimum selling price per CMB A Share of RMB9.29 represents:

- a discount of approximately 13.01% to the closing price of RMB10.68 per CMB A Share as quoted on the SSE as at 23 October 2013, the trading day immediately before the date of this announcement; and

- a discount of approximately 5.11% to the lowest closing price of RMB9.79 per CMB A Share as quoted on the SSE in the last 12 months up to and including the date of this announcement.

In order to maximize efficiency for the Directors to act under the dynamic market conditions and economic situation during the Mandate Period, the Directors consider that the deviation of the minimum selling price from the trading prices of the CMB A Shares as illustrated above is of strategic advantage to the Company and is in the interests of the Company and the Shareholders as a whole.

Having considered the above factors, the Directors consider that the minimum selling price of RMB9.29 per CMB A Share will allow flexibility for the Directors to accommodate fluctuations in the market conditions and enable the Directors to effectively exercise the CMB Disposal Mandate under volatile market conditions, and is thus fair and reasonable as far as the Company and the Shareholders are concerned.

Manner of disposal

The Proposed CMB Disposal will comply with all relevant laws and regulations, including any applicable trading regulations governing the Proposed CMB Disposal in the PRC.

Under the CMB Disposal Mandate proposed to be granted to the Directors, the Group may dispose of all or part of the CMB Interests on the SSE through its trading system. The Group will delegate all necessary power to the Investment Manager to handle all matters relating to the Proposed CMB Disposal, who will be responsible for identifying appropriate opportunities for disposing of the CMB A Shares. On the other hand, the Company will form a board committee consisting of Mr. CHU Lap Lik, Victor and Ms. ZHOU Linda Lei of the investment committee of the Company to monitor the process of execution of disposal orders. To ensure regular review and monitoring of the disposals made by the Investment Manager, after the sales of every 6,000,000 CMB A Shares, the Investment Manager will be obliged to report to the board committee and any further disposals of CMB A Shares proposed by the Investment Manager will be subject to approval by the board committee. All elaborations, discussions and decisions in relation to the timing, price and amount of the Proposed CMB Disposal will be kept confidential.

The Company will publish an announcement every month to disclose the number of CMB A Shares disposed of pursuant to the CMB Disposal Mandate on an aggregated basis and the net proceeds arising therefrom. Further, the Company will also adjust the change in fair value of the CMB A Shares (i.e. change in fair value of financial assets at fair value through profit or loss) in the announcement of net asset value of the Company to be published every month.

Information about CMB

According to the 2012 annual report of CMB and publicly available information, CMB has over 970 branches and offices through the PRC. Its A Shares were first listed on the SSE in 2002 and its H Shares were listed on the Stock Exchange in 2006. As at 31 December 2012, CMB had a total share capital of RMB21,577 million.

From publicly available information, the Company understands that the main business activities of CMB include the provision of corporate and personal banking services, treasury businesses, and provision of asset management, leasing, insurance, trust and other financial services.

The following sets out a summary of financial information of CMB for the two years ended 31 December 2011 and 31 December 2012 which were prepared under the PRC accounting standards:-

	For the year ended 31 December			
	2012		**2011**	
	RMB million (audited)	*HK$ million equivalent*	*RMB million (audited)*	*HK$ million equivalent*
Profit before taxation	59,564	75,122	47,122	59,430
Profit after taxation	45,273	57,098	36,129	45,566
Net asset value	200,434	252,787	164,997	208,094

As at 31 December 2012, the audited consolidated net asset value attributable to the owners of CMB amounted to approximately RMB200,434 million (equivalent to approximately HK$252,787 million) and the audited net asset value per CMB A Share was RMB9.29 (equivalent to approximately HK$11.72). The Group held approximately 0.305% and 0.249% interest of CMB at the financial year end of 2011 and 2012 respectively. The audited net asset value attributable to the CMB A Shares held by the Group was approximately RMB499 million (equivalent to approximately HK$629 million) as at 31 December 2012. Dividend income received by the Group from CMB amounted to approximately RMB19.09 million (equivalent to approximately HK$24.08 million) in 2011 and approximately RMB27.65 million (equivalent to approximately HK$34.87 million) in 2012. The change in fair value on CMB attributable to the Group amounted to loss of approximately US$9.58 million (equivalent to approximately HK$74.28 million) in 2011 and gain of approximately US$15.87 million (equivalent to approximately HK$123.05 million) in 2012 respectively.

As disclosed in the interim results of CMB for the six months ended 30 June 2013 prepared under the PRC accounting standards, the net asset value of CMB as at 30 June 2013 was RMB212,343 million and the net asset value per share was RMB9.84.

The highest and the lowest closing price of CMB A Shares as quoted on the SSE in the last 12 months up to and including the date of this announcement was RMB15.01 and RMB9.79 (equivalent to approximately HK$18.93 and HK$12.35) respectively. As at 23 October 2013, the trading day immediately before the date of this announcement, the closing price of CMB A Shares as quoted on the SSE was RMB10.68 (equivalent to approximately HK$13.47).

Financial effect of the disposal of CMB Interests

Based on the carrying amount of the CMB Interests held by the Company as at 31 December 2012 which was US$117.59 million (equivalent to approximately HK$911.78 million) and the subscription cost for rights issue of CMB A Shares in September 2013 which was RMB87.01 million (equivalent to approximately HK$109.74 million) and the minimum selling price of RMB9.29 (equivalent to approximately HK$11.72), the expected realized accounting loss on the disposal of the CMB Interests is US$36.25 million (equivalent to approximately HK$281.08 million).

As at the date of this announcement, the CMB Interests account for approximately 22.31% of the Company's net asset value based on the Company's unaudited consolidated accounts as at 30 September 2013.

Reference is made to the announcement of the Company dated 9 September 2013. Pursuant to the Conditions, the Company was required to, among other things, within six months from 11 September 2013, dispose of the CMB A Shares to the extent that its CMB Interests would not exceed 20% of the Company's net asset value.

The Shareholders should note that the actual amounts of proceeds, accounting gain or loss and the effects on the net assets and earnings of the Group will depend on the actual selling prices of the Proposed CMB Disposal.

THE PROPOSED IBC DISPOSAL

Maximum number of IBC A Shares to be disposed of

As at the date of this announcement, the Company beneficially owns a total of 66,936,000 IBC A Shares (including 22,312,000 bonus IBC A Shares received on 3 July 2013 pursuant to the bonus share issue of IBC on the basis of 5 bonus IBC A Shares for every 10 existing IBC A Shares), which are listed and freely tradable on the SSE, representing approximately 0.351% interest in the issued share capital of IBC based on publicly available information.

The Board proposes to seek the approval of the Shareholders to grant a disposal mandate to the Directors to dispose of the IBC Interests during the Mandate Period. The IBC Interests, comprising the 66,936,000 IBC A Shares held by the Company as at the date of this announcement, represent the entire interest held by the Group in the IBC.

As at the date of this announcement, the Group does not have any discussion with any party to dispose of the IBC Interests. Nevertheless, the Board is of the view that it would be in the best interests of the Shareholders and the Company for the Directors to have flexibility in disposing of the IBC Interests.

After the expiry of the 2012 IBC Disposal Mandate, if the Group proceeds with the Proposed IBC Disposal and on the assumption that all IBC A Shares held by the Group are to be disposed of, the Proposed IBC Disposal may constitute a major transaction of the Company under Chapter 14 of the Listing Rules that would require compliance with the announcement, circular and shareholders' approval requirements under the Listing Rules.

Terms of the IBC Disposal Mandate

The Company proposes to seek the IBC Disposal Mandate for the Proposed IBC Disposal at the EGM on the following terms:-

1. the Group will dispose of the IBC Interests in the open market through the trading system of the SSE;

2. the selling price of the IBC A Shares will be the market price of the IBC A Shares at the relevant times, where market price refers to the price allowed under the trading system of the SSE, but will not be less than RMB8.90 (equivalent to approximately HK$11.22) per IBC A Share; and

3. the disposal mandate will be for a 12-month period from the date of passing of the relevant resolution(s) at the EGM.

Basis for determining the minimum selling price

The minimum selling price of RMB8.90 was determined with reference to the net asset value per share of IBC as at 31 December 2012 (adjusted for bonus share issue), which is the latest audited figure obtainable for determining the minimum selling price. The minimum selling price reflects the lowest acceptable price to dispose of the IBC A Shares but is not the expected price at which the Company targets to dispose of the IBC A Shares. The Directors will consider various factors including general market conditions, progress of making new investments and performance of existing investments of the Company in exercising the IBC Disposal Mandate.

The minimum selling price for the IBC Disposal Mandate was formulated by the Company with reference to the current price-to-book ratio of certain PRC listed banks. The Company has also taken into account the current price-to-book ratio of the IBC A Shares. In addition, in view of the performance of IBC A Shares, the current and future market conditions and to ensure a more flexible financial position of the Company for new investment opportunities, the Board considers that the adoption of the audited net asset value of IBC as at 31 December 2012 as the current basis for determining the minimum selling price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The minimum selling price per IBC A Share of RMB8.90 represents:

- a discount of approximately 21.93% to the closing price of RMB11.40 per IBC A Share as quoted on the SSE as at 23 October 2013, the trading day immediately before the date of the this announcement; and

- a premium of approximately 1.60% to the lowest closing price of RMB8.76 per IBC A Share as quoted on the SSE in the last 12 months up to and including the date of this announcement.

In order to maximize efficiency for the Directors to act under the dynamic market conditions and economic situation during the Mandate Period, the Directors consider that the deviation of the minimum selling price from the trading prices of the IBC A Shares as illustrated above is of strategic advantage to the Company and is in the interests of the Company and the Shareholders as whole.

Having considered the above factors, the Directors consider that the minimum selling price of RMB8.90 per IBC A Share will allow flexibility for the Directors to accommodate fluctuations in the market conditions and enable the Directors to effectively exercise the IBC Disposal Mandate under the volatile market conditions, and is thus fair and reasonable as far as the Company and the Shareholders are concerned.

Manner of disposal

The Proposed IBC Disposal will comply with all relevant laws and regulations, including any applicable trading regulations governing the Proposed IBC Disposal in the PRC.

Under the IBC Disposal Mandate proposed to be granted to the Directors, the Group may dispose of all or part of the IBC Interests on the SSE through its trading system. The Group will delegate all necessary power to the Investment Manager to handle all matters relating to the Proposed IBC Disposal, who will be responsible for identifying appropriate opportunities for disposing of the IBC A Shares. On the other hand, the Company will form a board committee consisting of Mr. HONG Xiaoyuan and Ms. ZHOU Linda Lei of the investment committee of the Company to monitor the process of execution of disposal orders. To ensure regular review and monitoring of the disposals made by the Investment Manager, after the sales of every 6,000,000 IBC A Shares, the Investment Manager will be obliged to report to the board committee and any further disposals of IBC A Shares proposed by the Investment Manager will be subject to the approval by the board committee. All elaborations, discussions and decisions in relation to the timing, price and amount of the Proposed IBC Disposal will be kept confidential.

The Company will publish an announcement every month to disclose the number of IBC A Shares disposed of pursuant to the IBC Disposal Mandate on an aggregated basis and the net proceeds arising therefrom. Further, the Company will also adjust the change in fair value of the IBC A Shares (i.e. change in fair value of financial assets at fair value through profit or loss) in the announcement of net asset value of the Company to be published every month.

Information about IBC

According to the 2012 annual report of IBC and publicly available information, IBC has over 750 branches and offices throughout the PRC. As at 31 December 2012, IBC had a total share capital of RMB12,702 million.

From publicly available information, the Company understands that the main business activities of IBC include the provision of corporate and personal banking services, treasury businesses, and provision of asset management, leasing, trust and other financial services.

The following sets out a summary of financial information of IBC for the two years ended 31 December 2011 and 31 December 2012 which were prepared under the PRC accounting standards:

	For the year ended 31 December			
	2012		2011	
	RMB million (audited)	*HK$ million equivalent*	*RMB million (audited)*	*HK$ million equivalent*
Profit before taxation	46,193	58,259	33,664	42,457
Profit after taxation	34,718	43,786	25,505	32,167
Net asset value	169,577	213,871	115,209	145,302

As at 31 December 2012, the audited consolidated net asset value attributable to the owners of IBC amounted to approximately RMB169,577 million (equivalent to approximately HK$213,871 million) and the audited net asset value per IBC A Share was RMB8.90 (adjusted for bonus share issue) (equivalent to approximately HK$11.22). The Group held approximately 0.414% and 0.351% interest of IBC at the financial year end of 2011 and 2012 respectively. The audited net asset value attributable to the IBC A Shares held by the Group was approximately RMB595 million (equivalent to approximately HK$750 million) as at 31 December 2012. Dividend income received by the Group from IBC amounted to approximately RMB17.50 million (equivalent to approximately HK$22.07 million) in 2011 and RMB14.09 million (equivalent to approximately HK$17.77 million) in 2012. The change in fair value on IBC attributable to the Group amounted to loss of approximately US5.84 million (equivalent to approximately HK$45.28 million) in 2011 and gain of approximately US$29.63 million (equivalent to approximately HK$229.75 million) in 2012 respectively.

As disclosed in the interim results of IBC for the six months ended 30 June 2013 prepared under the PRC accounting standards, the net asset value of IBC as at 30 June 2013 was RMB184,304 million and the net asset value per share was RMB9.67 (adjusted for bonus share issue).

The highest and lowest closing price of IBC A Shares as quoted on the SSE in the last 12 months up to and including the date of this announcement was RMB14.32 (adjusted for bonus share issue) and RMB8.76 (equivalent to approximately HK$18.06 and HK$11.05) respectively. As at 23 October 2013, the trading day immediately before the date of this announcement, the closing price of IBC A Shares as quoted on the SSE was RMB11.40 (equivalent to approximately HK$14.38).

Financial effect of the disposal of IBC Interests

Based on the carrying amount of the IBC Interests as at 31 December 2012 which was US$118.56 million (equivalent to approximately HK$919.30 million) and the minimum selling price of RMB8.90 (equivalent to approximately HK$11.22), the expected realized accounting loss on the disposal of the IBC Interests is US$21.66 million (equivalent to approximately HK$167.95 million).

As at the date of this announcement, the IBC Interests account for approximately 24.20% of the Company's net asset value based on the Company's unaudited consolidated accounts as at 30 September 2013.

The Shareholders should note that the actual amounts of proceeds, accounting gain or loss and the effects on the net assets and earnings of the Group will depend on the actual selling prices of the Proposed IBC Disposal.

REASONS FOR AND BENEFITS OF THE PROPOSED DISPOSALS

As stated in the 2013 interim report of the Company, the Group will continue to make every effort to identify new investment projects, while maintaining an emphasis on investment opportunities in consumer goods (with particular focus on consumer-oriented projects in second and third tier cities), culture and media, advanced manufacturing, non-traditional financial services, energy and agriculture. The Group will also seek to optimize its mix of investments in order to create greater shareholder value. The proceeds from the Proposed Disposals will put the Group into a better and more flexible financial position to take advantage of current and future investment opportunities should they arise. Upon approval of the CMB Disposal Mandate by the Shareholders, the Company will prioritize its efforts to satisfy the Conditions to dispose of the CMB A Shares within six months from 11 September 2013 such that its CMB Interests will not exceed 20% of the Company's net asset value within the stipulated timeframe, while taking into account general market conditions, progress of making new investments and performance of CMB A Shares, IBC A Shares and other investments of the Company.

In exercising the CMB Disposal Mandate and the IBC Disposal Mandate, apart from the opportunities and progress of making new investments, the Directors will also consider the performance of CMB A Shares, IBC A Shares and other investments of the Company, the latest development and circumstances of CMB and IBC, general market conditions as well as the macro-economic environment of the PRC in general.

The Directors (including independent non-executive Directors) consider that the Proposed Disposals represent a good opportunity to increase the cash flow of the Company. The Directors consider that the Proposed Disposals will be conducted in the best interests of the Company and the Shareholders as a whole and the CMB Disposal Mandate and the IBC Disposal Mandate will give flexibility to the Directors to dispose of the CMB Interests and the IBC Interests at the appropriate times and prices in order to maximize returns to the Group.

The Directors (including independent non-executive Directors) are of the view that the CMB Disposal Mandate and the IBC Disposal Mandate under the Proposed Disposals are fair and reasonable and in the interests of the Shareholders as a whole, after considering the business fundamentals of CMB and IBC, prevailing market sentiments and conditions, and the financial needs of the Group.

IMPLICATIONS OF THE PROPOSED DISPOSALS UNDER THE LISTING RULES

If the Group proceeds with the Proposed CMB Disposal after the expiry of the 2012 CMB Disposal Mandate, the aggregate of all CMB A Shares to be disposed of under the Proposed CMB Disposal may constitute a major transaction of the Company under Chapter 14 of the Listing Rules. If the Group proceeds with the Proposed IBC Disposal after the expiry of the 2012 IBC Disposal Mandate, the aggregate of all IBC A Shares to be disposed of under the Proposed IBC Disposal may also constitute a major transaction of the Company under Chapter 14 of the Listing Rules. Each of the Proposed CMB Disposal and the Proposed IBC Disposal would then be subject to the requirements of announcement, circular and shareholders' approval under the Listing Rules. The Board thus proposes to seek the Shareholders' approval of the CMB Disposal Mandate and of the IBC Disposal Mandate.

In the event that the Group finds out that the counterparty is a connected person before disposing of the CMB Interests and/or the IBC Interests, the Group will strictly follow the announcement, reporting, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules as may be applicable.

A circular, containing further details of, and other disclosures in connection with, the Proposed Disposals required under the Listing Rules, together with the notice of the EGM for approving each of the Proposed CMB Disposal and the Proposed IBC Disposal is expected to be despatched to the Shareholders on or about 14 November 2013.

To be the best of the knowledge and belief of the Directors having made all reasonable enquiry, no Shareholder has a material interest in the matters which are the subject to the Proposed Disposals such that it must abstain from voting, and, accordingly, all Shareholders will be permitted to vote at the EGM.

INFORMATION ABOUT THE COMPANY

The Company is an investment company, the Shares of which are listed on the Main Board of the Stock Exchange. The Company specializes in investing in the PRC. Its investment objective is to acquire quality investments, principally in unlisted enterprises, in the PRC. The Company may also invest in China-concept shares, "H" shares, "B" shares and any shares listed on the Stock Exchange provided that the main businesses or incomes of such companies are derived from the PRC including Hong Kong.

GENERAL

Whether the Company decides to proceed with the Proposed Disposals (or not to proceed) will depend on a number of factors including without limitation prevailing market sentiments and market conditions at the proposed time of executing the Proposed Disposals. The decision will also be subject to compliance by the Company with all applicable laws and regulations and all applicable requirements under the Listing Rules. While the Company currently intends to proceed with the Proposed Disposals after the applicable requirements under the Listing Rules are complied with, it should be emphasized that save for the disposal of further CMB A Shares within 6 months from 11 September 2013 such that the interests of the Group in CMB would not exceed 20% of the net asset value of the Company as part of the Conditions, there is no assurance that the Company will necessarily proceed with any part of the Proposed Disposals.

The Shareholders and other public investors of the Company are therefore advised to exercise extreme caution when dealing in the Shares.

The Proposed CMB Disposal and the Proposed IBC Disposal are independent of each other and not inter-conditional.

DEFINITIONS

Unless the context otherwise requires, the following terms in this announcement shall have the meanings set out below:-

"2010 Brokerage Agreements"	the brokerage agreement dated 13 December 2007 and the supplemental brokerage agreement dated 8 November 2010 entered into between CMID and CMS in respect of the provision of securities brokerage services by CMS to CMID
"2012 CMB Disposal Mandate"	the disposal mandate granted to the Directors by the Shareholders at the extraordinary general meeting of the Company held on 29 November 2012 to dispose of up to 53,830,102 CMB A Shares and the 11,842,622 CMB A rights shares estimated to be allotted and issued to the Company pursuant to the rights issue of CMB A Shares on the basis of up to 2.2 CMB A rights shares for every 10 existing CMB A Shares (the details of which were disclosed in the circular of the Company dated 17 November 2011) held by the Group for a period of 12 months from the passing of the relevant resolutions, the details of which were set out in the announcement of the Company dated 18 October 2012 and the circular of the Company dated 9 November 2012

"2012 IBC Disposal Mandate"	the disposal mandate granted to the Directors by the Shareholders at the extraordinary general meeting of the Company held on 29 November 2012 to dispose of up to 44,624,000 IBC A Shares held by the Group for a period of 12 months from the passing of the relevant resolutions, the details of which were set out in the announcement of the Company dated 18 October 2012 and the circular of the Company dated 9 November 2012
"Board"	board of Directors
"CBRC"	China Banking Regulatory Commission
"CMB"	招商銀行股份有限公司 (China Merchants Bank Co., Ltd.), a joint-stock commercial bank approved by the CBRC in the PRC with limited liability, whose A and H shares are listed on the SSE and the Stock Exchange respectively
"CMB A Shares"	PRC-listed domestic shares of par value of RMB1.00 each in the registered capital of CMB
"CMB Disposal Mandate"	the disposal mandate proposed to be granted by the Shareholders to the Directors to dispose of all or part of the CMB Interests during the Mandate Period, the terms of which are set out in this announcement
"CMB Interests"	the 63,196,540 CMB A Shares held by the Company as at the date of this announcement which are freely tradable on the SSE, representing the entire interest held by the Group in CMB
"CMG"	招商局集團有限公司 (China Merchants Group Limited), a company incorporated in the PRC with limited liability and a substantial shareholder of the Company
"CMID"	招商局實業發展(深圳)有限公司 (China Merchants Industry Development (Shenzhen) Limited), a company incorporated in the PRC with limited liability and a directly wholly-owned subsidiary of the Company
"CMS"	招商證券股份有限公司 (China Merchants Securities Co., Ltd.), a company incorporated in the PRC with limited liability, whose A shares are listed on the SSE

"Company"	China Merchants China Direct Investments Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange
"Conditions"	the conditions imposed by the Stock Exchange on the wavier granted by the Stock Exchange from strict compliance with Listing Rule 21.04(3)(b) in relation to the subscription for the CMB A rights shares allotted and issued to the Company pursuant to the rights issue of CMB A Shares on the basis of up to 2.2 CMB A rights shares for every 10 existing CMB A Shares, the details of which were disclosed in the circular of the Company dated 17 November 2011
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting proposed to be convened by the Company to consider and, if thought fit, to approve the grant of mandates for the Proposed Disposals
"Group"	the Company, its subsidiaries, jointly controlled entities and associated companies
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"IBC"	興業銀行股份有限公司 (Industrial Bank Co., Ltd.), a joint-stock commercial bank approved by the CBRC in the PRC with limited liability, whose A shares are listed on the SSE
"IBC A Shares"	PRC-listed domestic share of par value of RMB1.00 each in the registered capital of IBC
"IBC Disposal Mandate"	the disposal mandate proposed to be granted by the Shareholders to the Directors to dispose of all or part of the IBC Interests during the Mandate Period, the terms of which are set out in this announcement
"IBC Interests"	the 66,936,000 IBC A Shares held by the Company as at the date of this announcement which are freely tradable on the SSE, representing the entire interest held by the Group in IBC

"Investment Manager"	China Merchants China Investment Management Limited, a fund management company incorporated in Hong Kong with limited liability and registered under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) of Hong Kong
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mandate Period"	twelve calendar months from the passing of the relevant resolution(s) at the EGM
"New Brokerage Agreements"	the brokerage agreement dated 8 July 2013 and the supplemental brokerage agreement dated 24 October 2013, which will take effect on 24 October 2013 entered into between Tian Zheng and CMS in respect of the provision of securities brokerage services by CMS to Tian Zheng
"New Brokerage Commissions"	the brokerage commissions payable by Tian Zheng to CMS under the New Brokerage Agreements
"PRC"	The People's Republic of China
"Proposed CMB Disposal"	the proposed disposal of all or part of the CMB Interests by the Group pursuant to the CMB Disposal Mandate
"Proposed Disposals"	the Proposed CMB Disposal and the Proposed IBC Disposal
"Proposed IBC Disposal"	the proposed disposal of all or part of the IBC Interests by the Group pursuant to the IBC Disposal Mandate
"Renewed Brokerage Agreements"	the brokerage agreement dated 13 December 2007 and the supplemental brokerage agreement dated 24 October 2013, which will take effect on 24 October 2013 entered into between CMID and CMS in respect of the provision of securities brokerage services by CMS to CMID
"Renewed Brokerage Commissions"	the brokerage commissions payable by CMID to CMS under the Renewed Brokerage Agreements
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	share(s) of US$0.10 each in the share capital of the Company

"Shareholder(s)"	shareholder(s) of the Company
"SSE"	Shanghai Stock Exchange
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"Tian Zheng"	深圳市天正投資有限公司 (Shenzhen Tian Zheng Investment Co., Ltd.), a company incorporated in the PRC with limited liability and an indirectly wholly-owned subsidiary of the Company
"US$"	United States dollars, the lawful currency of United States of America
"%"	per cent

For illustrative purposes in this announcement only, RMB1=HK$1.2612, US$1=HK$7.7539 and US$1=RMB6.1480.

By Order of the Board
ZHOU Linda Lei
Director

Hong Kong, 24 October 2013

As at the date hereof, the executive Directors are Mr. LI Yinquan, Mr. HONG Xiaoyuan, Mr. CHU Lap Lik, Victor, Ms. ZHOU Linda Lei and Mr. TSE Yue Kit; the non-executive Directors is Mr. KE Shifeng; and the independent non-executive Directors are Mr. LIU Baojie, Mr. XIE Tao, Mr. ZHU Li and Mr. TSANG Wah Kwong. In addition, Ms. KAN Ka Yee, Elizabeth is the alternate Director to Mr. CHU Lap Lik, Victor.