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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)

**TRANSFER OF EQUITY INTEREST IN
XINHUA PRESCHOOL EDUCATION**

Reference is made to the announcement of China Merchants China Direct Investments Limited (the “**Company**”) dated 31 October 2014 in relation to the joint investment in, establishment and set up of 廣西新華幼兒教育投資有限公司 (Guangxi Xinhua Preschool Education Investment Corporation Limited*, “**Xinhua Preschool Education**”) by Shenzhen Tian Zheng Investment Co., Ltd. (“**Tian Zheng**”), a wholly-owned subsidiary of the Company and 廣西新華書店集團股份有限公司 (Guangxi Xinhua Bookstore Group Share Corporation Limited*, “**Guangxi Xinhua Bookstore**”), the registered capital of which would be RMB300,000,000, of which Tian Zheng as the promoter shareholder undertook to make a total capital contribution of RMB90,000,000 and would hold 30% of the equity interests of Xinhua Preschool Education. As at 18 December 2020, according to the development progress of Xinhua Preschool Education, Tian Zheng has only made a capital contribution of RMB30,000,000 to Xinhua Preschool Education.

The Company announces that Guangxi Xinhua Bookstore and Tian Zheng entered into an equity repurchase agreement dated 18 December 2020, whereby Tian Zheng agreed to transfer and Guangxi Xinhua Bookstore agreed to repurchase the entire 30% equity interest in Xinhua Preschool Education held by Tian Zheng for consideration of RMB36,000,000. Tian Zheng had received payment of such consideration on 18 December 2020, and will carry out the registration procedures for the change in shareholding in Xinhua Preschool Education in accordance with Guangxi Xinhua Bookstore’s instruction to complete this transfer.

Reasons for and Benefits of the Transfer of Equity Interest in Xinhua Preschool Education

Due to the impact caused by the relevant requirements as laid down in 《關於學前教育深化改革規範發展的若干意見》 (“*Several Opinions on Deepening Reform and Regulating Development of Preschool Education*”*) promulgated by the State Council of the People’s Republic of China in 2018, the channels of private for-profit kindergartens to become publicly listed has been restricted. Xinhua Preschool Education had to adjust its development plan, but still could not achieve the original goal of establishment. As a result, the Company decided to exit this investment in accordance with the agreed mechanism in the original joint venture agreement and after negotiation with Guangxi Xinhua Bookstore, the major shareholder. The Company considers that an exit from this investment with the return of a sum of working capital is in the interest of the Company and its shareholders.

For and on behalf of
CHINA MERCHANTS CHINA DIRECT
INVESTMENTS LIMITED
WANG Xiaoding
Director

Hong Kong, 21 December 2020

** For identification purposes only*

As at the date hereof, the Executive Directors of the Company are Mr. WANG Xiaoding, Mr. TSE Yue Kit and Ms. KAN Ka Yee, Elizabeth; the Non-executive Directors are Mr. ZHANG Jian, Mr. ZHANG Rizhong and Mr. KE Shifeng; and the Independent Non-executive Directors are Mr. LIU Baojie, Mr. TSANG Wah Kwong, Dr. LI Fang and Dr. GONG Shaolin. In addition, Mr. CHU Lap Lik, Victor is the Alternate Director to Ms. KAN Ka Yee, Elizabeth.