

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

**(1) CONTINUING CONNECTED TRANSACTION IN RELATION TO
SECURITIES BROKERAGE COMMISSION**

**(2) DISPOSAL MANDATE IN RELATION TO A PROPOSED
DISPOSAL OF SHARES IN INDUSTRIAL BANK CO., LTD.
POSSIBLE VERY SUBSTANTIAL DISPOSAL**

The Board is pleased to announce that (i) on 13 December 2007 after the trading hours, CMID, a wholly-owned subsidiary of the Company, entered into the Brokerage Agreements with CMS and (ii) it is proposed to seek a disposal mandate from the Shareholders to allow the Directors to dispose of the Disposable INDB Shares.

(i) The Brokerage Agreements

On 13 December 2007 after the trading hours, CMID, a wholly-owned subsidiary of the Company, entered into the Brokerage Agreements with CMS in relation to the securities brokerage service provided by CMS to CMID for a term of three years.

The Company is held as to 23.04% by CMG. CMG in turns holds 51.64% of CMS. Therefore, since CMG is a substantial shareholder of the Company, CMG is a connected person of the Company. CMS is therefore an associate of CMG under Chapter 14A of the Listing Rules. Accordingly, the transaction contemplated under the Brokerage Agreements is considered to be a continuing connected transaction. As the aggregate annual commissions paid under the Brokerage Agreements is less than 25% of the applicable percentage ratios on an annual basis and its annual consideration is less than HK\$10,000,000, the entering into the Brokerage Agreements is subject to the reporting and announcement requirements under the Listing Rules but exempt from the independent shareholders' approval requirement pursuant to rule 14A.34(2) of the Listing Rules.

The Company considers that it had no prior transaction with CMS and/or its associates which require aggregation under Rule 14A.25 of the Listing Rules.

(ii) The Proposed Disposal

It is proposed to seek a disposal mandate from the Shareholders to allow the Directors to dispose of, through the trading mechanism of the SSE, the Disposable INDB Shares, which represent a total of 84,000,000 INDB A Shares held by the Group that will be freely tradable on the SSE after the Lock-up Period and completion of necessary procedures as required under the relevant laws and regulations in the PRC. The Group presently does not have any discussion with any party to dispose of the Disposable INDB Shares. Nevertheless, the Directors believe that it would be in its best interests to have the flexibility of disposing of the Disposable INDB Shares.

The INDB A Shares are listed on the SSE and, as at the date of this announcement, the Group beneficially owns 84,000,000 INDB A Shares, representing approximately 1.68% interest of INDB. The Disposable INDB Shares represents the entire interest of the Group held in INDB.

As stated in the Group's 2007 interim report, the Group has been actively exploring new investment opportunities, and studied a number of investment projects during the reporting period. Some of the projects have been identified and are now under implementation. It is the strategy of the Group to look for investment opportunities that would bring in attractive capital gain in the long term. The proceeds from the Proposed Disposal will put the Group in a better and more flexible financial position to take advantage of current and other investment opportunities should they arise.

If the Group proceeds with the Proposed Disposal through the SSE trading system, and on the assumption that all the Disposable INDB Shares held by the Group are to be disposed of, the Proposed Disposal may constitute a very substantial disposal of the Company under Chapter 14 of the Listing Rules. The Proposed Disposal will then be subject to the requirements of announcement, circular and the Shareholders' approval under the Listing Rules. In order to give the Directors the flexibility to dispose of the Disposable INDB Shares at appropriate time and price so as to maximize the returns to the Group, the Company will seek a disposal mandate granted from the Shareholders for the Proposed Disposal at the EGM.

The Brokerage Agreements and the Proposed Disposal are independent of each other. However, after the Brokerage Agreements are entered into, the Company may dispose of the Disposable INDB Shares through CMS.

A circular, including the financial information of the Disposable INDB Shares pursuant to Rule 14.68(2)(b) of the Listing Rules, containing further details of, and other disclosures in connection with, the Proposed Disposal required under the Listing Rules as well as the notice of the EGM for approving the Proposed Disposal, will be despatched to the Shareholders as soon as practicable.

While the Company currently intends to proceed with the Proposed Disposal after the applicable requirements under the Listing Rules are complied with, it should be emphasized that there is no assurance the Company will necessarily proceed with the Proposed Disposal once the pre-conditions are met. The Shareholders and other public investors of the Company are therefore advised to exercise extreme caution when dealing in the Shares.

THE BROKERAGE AGREEMENTS

- Date: 13 December 2007 (after the trading hours)
- Parties: (i) CMID, a wholly-owned subsidiary of the Company as service receiver
- (ii) CMS as service provider
- Nature of Transaction: Provision of securities brokerage service 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 of 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 13 December 2007 and expiring on 12 December 2010 and may be renewed for another three years by mutual agreement between the parties. The brokerage agreements so renewed shall have the same terms as contained in the Brokerage Agreements.
- Commission Rate: Commission charged at 0.1% 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 charged by CMS to its clients who are independent parties of CMS.
- Payment Term: The brokerage commission will be paid upon settlement of the relevant trading transaction of A shares through CMS.
- Annual Cap: (i) 13 December 2007 to 31 December 2007 : Nil
- (ii) 1 January to 31 December 2008 : HK\$10,000,000
- (iii) 1 January to 31 December 2009 : HK\$10,000,000
- (iv) 1 January to 12 December 2010 : HK\$9,200,000
- Basis of the Annual Cap: There is no historical transaction in relation to the payment of the brokerage commission fee payable by CMID to brokerage agents for investment of securities in the PRC. Based on the business projection made by the Directors, the annual cap of the commission fee payable under the Brokerage Agreements shall be HK\$10,000,000. The annual cap is determined after considering the estimated volume of securities to be traded through CMS.
- Reasons for the Transaction: The Group specializes in investing in the PRC. Its investment objective is to acquire quality investments, principally in unlisted enterprises, in the PRC. Investment in A shares is the ordinary course of business of the Group. CMS ranks as top 10

securities companies in the PRC, which can provide a comprehensive securities service including quality brokerage services. Entering into the Brokerage Agreements with CMS is in the interests of the Group and the Shareholders.

The Company considers that it had no prior transaction with CMS and/or its associates which require aggregation under Rule 14A.25 of the Listing Rules.

GENERAL

The Directors (including the independent non-executive Directors) are of the view that the Brokerage Agreements were entered into after arm's length negotiations and reflects normal commercial terms and that the terms of the agreement are fair and reasonable and in the interest of the Shareholders and the Company.

INFORMATION ABOUT CMS

CMS is a comprehensive securities company and is engaged in the business of initial public offerings sponsorship, securities underwriting, brokerage, proprietary trading, investment consulting and financial advisory.

INFORMATION ABOUT THE COMPANY

The Company is an investment company and 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 hi-tech projects including through initial public offerings and/or pre-listing placements, and China-concept shares, "H" shares, "B" shares and any shares listed in the Stock Exchange provided that the main businesses or incomes of such companies are derived from the PRC including Hong Kong.

REQUIREMENTS UNDER LISTING RULES

The Company is held as to 23.04% by CMG. CMG in turns holds 51.64% of CMS. Therefore, since CMG is a substantial shareholder of the Company, CMG is a connected person of the Company. CMS is therefore an associate of CMG under Chapter 14A of the Listing Rules. Accordingly, the transaction contemplated under the Brokerage Agreements is considered to be a continuing connected transaction. As the aggregate annual commissions paid under the Brokerage Agreements is less than 25% of the applicable percentage ratios on an annual basis and its annual consideration is less than HK\$10,000,000, the entering into the Brokerage Agreements is subject to the reporting and announcement requirements under the Listing Rules but exempt from the independent shareholders' approval requirement pursuant to rule 14A.34(2) of the Listing Rules. Further announcement will be made if the amount of the commission fees payable under the Brokerage Agreements exceeds the limits under the Listing Rules. The Company is required to comply with the annual review requirements under Rule 14A.37 and 14A.38 of the Listing Rules in respect of the Brokerage Agreements.

THE PROPOSED DISPOSAL

The Directors wish to announce that it is proposed to seek a disposal mandate from the Shareholders to allow the Directors to dispose of, through the trading mechanism of the SSE, the Disposable INDB Shares, which represent a total of 84,000,000 INDB A Shares held by the Group that will be freely tradable on the SSE after the Lock-up Period and completion of necessary procedures as required under the relevant laws and regulations in the PRC. The Group presently does not have any discussion with any party to dispose of the Disposable INDB Shares. Nevertheless, the Directors believe that it would be in its best interests to have the flexibility of disposing of the Disposable INDB Shares.

The INDB A Shares are listed on the SSE and, as at the date of this announcement, the Company beneficially owns 84,000,000 INDB A Shares, representing approximately 1.68% interest of INDB. The Disposable INDB Shares represents the entire interest of the Group held in INDB.

If the Group proceeds with the Proposed Disposal and on the assumption that all the Disposable INDB Shares held by the Group are to be disposed of, the Proposed Disposal may constitute a very substantial disposal of the Company under Chapter 14 of the Listing Rules. As the Group may dispose of the Disposable INDB Shares on the SSE trading system, the Company will seek a disposal mandate from the Shareholders for the Proposed Disposal at the EGM, at the following terms:

1. the Group will dispose of the INDB A Shares in the open market through the SSE's trading system;
2. the selling price of the INDB A Shares will be the market price of the INDB A Shares at the relevant times. Market price refers to the price allowed under the trading system of the SSE, but will not be less than RMB28.00 (equivalent to approximately HK\$29.12) per INDB A Share which was determined with reference to the valuation of listed international banks and banks in the PRC and reflected the minimum selling price acceptable to the Directors; and
3. the disposal mandate is for a 12-month period from the passing of the relevant resolutions at the EGM.

As the Proposed Disposal is to be conducted only in the open market through the SSE, the Group will comply with all relevant laws and regulations, including any applicable trading regulations governing the Proposed Disposal in the PRC.

Under the disposal mandate proposed to be granted to the Directors, the Group may dispose of the Disposable INDB Shares on the SSE through its trading mechanism, i.e. the bidding price dealing system. For the bidding price dealing system, the buyers and sellers of shares have no knowledge of the identities of the counterparties and the bidding system of the SSE will automatically match the trade at the right price. The bidding price shall not be more than 110% or less than 90% of the closing price of the trading day immediately before the date of bidding. The Group will delegate to the Investment Manager to handle all matters relating to the Proposed Disposal. In addition, the Company will form a board committee consisting of two members of the Investment Committee of the Company to monitor the process of execution of disposal orders, and requires the Investment Manager to report and clear with the board committee after the sales of every 5% of the Disposable INDB Shares held by the Group. All elaborations and decisions in relation to the timing, price and amount of the Proposed Disposal will be kept confidential.

Apart from the disposal mandate as mentioned above, if the Group negotiates with a third party to dispose of any or all of the Disposable INDB Shares at a price agreed by both parties and the transaction of which is not matched by the SSE trading system, the Company will comply with all the Listing Rules requirements at that time, if applicable. The disposal mandate to be sought from the Shareholders shall not cover the disposal of the Disposable INDB Shares by way of negotiation with third parties.

INFORMATION ABOUT INDB

According to the annual report 2006 of INDB, INDB has over 300 branches and offices throughout the PRC. As of December 31, 2006, INDB had a registered capital of RMB3,999 million, which was subsequently increased to RMB5,000 million following the launching of initial public offerings on the SSE in February 2007. The main business activities of INDB include: deposits taking; provision of loans; provision of payment and settlement services; provision of bills acceptance and discounting; provision of services in the underwriting of bonds; provision of agency services in the underwriting, sale and cashing of government bonds; trading of governmental bonds and debentures; inter-bank placement and borrowings; purchase and sale of foreign currencies, either on its own behalf or on behalf of clients; provision of bank card business; provision of letter of credit-related services and guarantee facilities; agency collections and payment services; agency sales services of insurance; provision of safe-box services; and other banking services approved by the PBOC.

The following sets out a summary of financial information of INDB for the two years ended 31 December 2006 which were prepared under the PRC accounting standards:

	For the year ended 31 December			
	2006		2005	
	<i>(RMB million)</i>	<i>HK\$ million</i>	<i>(RMB million)</i>	<i>HK\$ million</i>
	(audited)	equivalent	(audited)	equivalent
Profit before taxation	5,046	5,248	3,545	3,687
Profit after taxation	3,798	3,950	2,465	2,564
Net asset value	16,200	16,848	12,785	13,296

As at 31 December 2006, the audited consolidated net asset value of INDB amounted to approximately RMB16,200 million (equivalent to approximately HK\$16,848 million). The Group held a 2.10% interest of INDB in 2005 and 2006. Dividend income received by the Group from INDB amounted to approximately US\$1.13 million (equivalent to approximately HK\$8.81 million) in 2005 and nil in 2006. The fair value gain on INDB attributable to the Group amounted to approximately US\$2.86 million (equivalent to approximately HK\$22.31 million) in 2005 and US\$31.26 million (equivalent to approximately HK\$243.83 million) in 2006.

The original investment cost of the Disposable INDB Shares (without taking into account the increase of the value of the assets in the book) was RMB146 million (equivalent to HK\$152 million) and therefore the expected realized gain on the disposal of the Disposable INDB Shares based on the minimum price of RMB28 is RMB2,206 million (equivalent to HK\$2,294 million).

The closing price of INDB A Shares as quoted on the SSE on the last trading day of the INDB A Shares immediately before the date of the Announcement was RMB51.32 (equivalent to approximately HK\$53.37).

REASONS FOR AND BENEFITS OF THE DISPOSAL MANDATE IN RELATION TO THE PROPOSED DISPOSAL

As stated in the Group's 2007 interim report, the Group has been actively exploring new investment opportunities, and studied a number of investment projects during the reporting period. Some of the projects have been identified and are now under implementation. It is the strategy of the Group to look for investment opportunities that would bring in attractive capital gain in the long term. The proceeds from the Proposed Disposal will put the Group in a better and more flexible financial position to take advantage of current and other investment opportunities should they arise.

The Directors (including independent non-executive Directors) consider that the Proposed Disposal represents a good opportunity to realize a gain for the Group and will contribute to its cash flow. The Directors consider that the Proposed Disposal will be conducted in the best interests of the Company and the Shareholders as a whole and the disposal mandate in relation to the Proposed Disposal will give flexibility to the Directors to dispose of the Disposable INDB Shares at the appropriate times and prices in order to maximize the returns to the Group.

The Directors (including independent non-executive Directors) are of the view that the Proposed Disposal is fair and reasonable, after considering the business fundamentals of INDB, prevailing market sentiments and conditions, and the financial needs of the Group.

REGULATORY ASPECTS

If the Group proceeds with the Proposed Disposal and on the assumption that all the Disposable INDB Shares held by the Group are to be disposed of, the Proposed Disposal may constitute a very substantial disposal of the Company under Chapter 14 of the Listing Rules. The Proposed Disposal will then be subject to the requirements of announcement, circular and the Shareholders' approval under the Listing Rules.

The Brokerage Agreements and the Proposed Disposal are independent of each other. However, after the Brokerage Agreements are entered into, the Company may dispose of the Disposable INDB Shares through CMS.

A circular, including the financial information of the Disposable INDB Shares pursuant to Rule 14.68(2)(b) of the Listing Rules, containing further details of, and other disclosures in connection with, the Proposed Disposal required under the Listing Rules as well as the notice of the EGM for approving the Proposed Disposal, will be despatched to the Shareholders as soon as practicable.

To 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 of the Proposed Disposal such that it must abstain from voting, and, accordingly, all Shareholders are permitted to vote at the EGM.

GENERAL

Whether the Company will decide to or not to proceed with the Proposed Disposal will depend on a number of factors including without limitation prevailing market sentiments and market conditions at the proposed time of executing the Proposed Disposal. The decision will also be subject to compliance by the Company with all applicable requirements under the Listing Rules, including the obtaining of the approval from the Shareholders. While the Company currently intends to proceed with the Proposed Disposal after the applicable requirements under the Listing Rules are complied with, it should be emphasized that there is no assurance the Company will necessarily proceed with the Proposed Disposal. The Shareholders and other public investors of the Company are therefore advised to exercise extreme caution when dealing in the Shares.

DEFINITIONS

“Brokerage Agreements”	the brokerage agreement and the supplemental brokerage agreement both dated 13 December 2007 entered into between CMID and CMS in respect of the provision of securities brokerage services to CMID
“CMG”	China Merchants Group Limited, a company incorporated in the PRC with limited liability
“CMID”	China Merchants Industry Development (Shenzhen) Limited (招商局實業發展(深圳)有限公司), a company established in the PRC with limited liability and a wholly owned subsidiary of the Company
“CMS”	China Merchants Securities Co., Ltd, a company incorporated in the PRC with limited liability
“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
“connected person(s)”	has the meanings ascribed to it under the Listing Rules
“INDB”	興業銀行股份有限公司 (Industrial Bank Co., Ltd.), a joint-stock commercial bank approved by the PBOC in the PRC with limited liability, whose A shares are listed on the SSE
“INDB A Shares”	domestic A shares of INDB subscribed in RMB, issued in the PRC and listed on the SSE

“Directors”	the directors of the Company (including the independent non-executive Directors)
“Disposable INDB Shares”	84,000,000 INDB A Shares, representing the entire number of INDB A Shares that are held by the Group and that will be freely tradable after the Lock-up Period and completion of necessary procedures as required under the relevant laws and regulations in the PRC
“EGM”	extraordinary general meeting proposed to be convened by the Company to consider and, if appropriate, to approve the grant of a disposal mandate for the Proposed Disposal
“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
“Investment Manager”	China Merchants China Investment Management Limited, a fund management company incorporated in Hong Kong with limited liability and registered under the Securities & Futures Ordinance of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lock-up Period”	The lock-up period of 12 months ending in February 2008 in accordance with the articles of association of INDB and in compliance with the relevant PRC laws and regulations
“PBOC”	The People’s Bank of China
“PRC”	the People’s Republic of China
“Proposed Disposal”	the proposed disposal of the Disposable INDB Shares by the Group
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) of US\$0.1 each in the share capital of the Company
“Shareholders”	shareholders of the Company

“SSE”	Shanghai Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of United States of America for the time being

For illustrative purposes of this announcement, RMB 1= HK\$1.04, US\$1 = HK\$7.8 and US\$1 = RMB7.5

By Order of the Board
Peter LEE Yip Wah
Company Secretary

Hong Kong, 13 December 2007

As at the date hereof, the Board of Directors of the Company comprises nine Directors, of which five are Executive Directors, namely Dr. FU Yuning, Mr. HONG Xiaoyuan, Mr. CHU Lap Lik, Victor, Mr. XIE Kuixing and Mr. TSE Yue Kit; and one is Non-executive Director, namely Mr. WANG Xingdong; and three are Independent Non-executive Directors, namely Dr. The Hon. David LI Kwok-po, Mr. KUT Ying Hay and Mr. WANG Jincheng. In addition, Ms. KAN Ka Yee, Elizabeth is the Alternate Director to Mr. CHU Lap Lik, Victor and Mr. LI Kai Cheong, Samson is the Alternate Director to Dr. The Hon. David LI Kwok-po.