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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)

POSSIBLE VERY SUBSTANTIAL DISPOSALS

**RENEWAL OF THE MANDATES FOR
THE PROPOSED DISPOSAL OF SHARES IN
CHINA MERCHANTS BANK CO., LTD.
AND INDUSTRIAL BANK CO., LTD.**

The Company obtained the 2011 Disposal Mandates from its Shareholders for disposal of its shareholdings in CMB and IBC which will expire on 4 December 2012.

(I) The Proposed CMB Disposal

As at the date of this announcement, the Company beneficially owns a total of 53,830,102 CMB A Shares, which are listed and freely tradable on the SSE, representing approximately 0.25% 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 very substantial disposal 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 2011 Disposal Mandates, 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.

(II) The Proposed IBC Disposal

As at the date of this announcement, the Company beneficially owns a total of 44,624,000 IBC A Shares, which are listed and freely tradable on the SSE, representing approximately 0.41% 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 very substantial disposal 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 2011 Disposal Mandates, 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.

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 9 November 2012.

INTRODUCTION

The Company obtained the 2011 Disposal Mandates from the Shareholders to dispose of up to 65,830,102 CMB A Shares and the 14,482,622 CMB A Rights Shares estimated to be allotted and issued to the Company pursuant to the CMB A Rights Issue and 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 5 December 2011. Details of the 2011 Disposal Mandates were set out in the announcement of the Company dated 27 October 2011 and the circular of the Company dated 17 November 2011.

Pursuant to the 2011 Disposal Mandates, the Company has disposed of an aggregate of 12,000,000 CMB A Shares up to the date of this announcement. The Company disposed of a total of 5,500,000 CMB A Shares in June 2012, the aggregate net proceeds arising therefrom amounted to approximately RMB60.08 million. The Company further disposed of a total of 6,500,000 CMB A Shares in July 2012, the aggregate net proceeds arising therefrom amounted to approximately RMB69.56 million.

Having considered the general market conditions, the performance of IBC A Shares and the circumstances of the Company since the grant of the 2011 Disposal Mandates, the Company was of the view that no appropriate opportunity to dispose of IBC A Shares arose. Therefore, up to the date of this announcement, the Company has not disposed of any IBC A Shares under the 2011 Disposal Mandates.

As at the date of this announcement, 53,830,102 CMB A Shares and 44,624,000 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 2011 Disposal Mandates on 4 December 2012, 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 53,830,102 CMB A Shares, which are listed and freely tradable on the SSE, representing approximately 0.25% 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 53,830,102 CMB A Shares held by the Company as at the date of this announcement and the 11,842,622 CMB A Rights Shares estimated to be allotted and issued to the Company pursuant to the CMB A Rights Issue, 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 2011 Disposal Mandates, 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 very substantial disposal 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 RMB7.65 (equivalent to approximately HK\$9.38) 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 RMB7.65 was determined with reference to the net asset value per share of CMB as at 31 December 2011, 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.

As disclosed in the circular of the Company dated 17 November 2011, the minimum selling price for the disposal mandate for CMB A Shares obtained at the extraordinary general meeting of the Company held on 5 December 2011 was RMB7.20, which was determined on the basis of the net asset value of CMB for 2011 estimated by the Company with reference to the audited net asset value per share of CMB as at 31 December 2010 (adjusted as a result of distribution of dividend) and the average rate of return on equity of 16 PRC listed banks for the year ended 31 December 2010. Given the change in market conditions and performance of the CMB A Shares in the year 2012, if the same basis is adopted for determining the minimum selling price for the CMB Disposal Mandate this year, such price would be so high that the ability of the Directors to capture the right opportunities for disposing of CMB A Shares would be gravely hindered under volatile market conditions, which would not be in the interest of the Company and the Shareholders as a whole.

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, which is considerably lower than the price-to-book ratio of the CMB A Shares at the time of determining the terms of the 2011 Disposal Mandates. 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 2011 as the current basis for determining the minimum selling price is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The minimum selling price per CMB A Share of RMB7.65 represents:

- a discount of approximately 26.16% to the closing price of RMB10.36 per CMB A Share as quoted on the SSE as at 17 October 2012, the trading day immediately before the date of this announcement; and
- a discount of approximately 19.81% to the lowest closing price of RMB9.54 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 one-year 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 RMB7.65 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 aggregate 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 2011 annual report of CMB and publicly available information, CMB has over 880 branches and offices throughout 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 2011, 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: provision of corporate and personal banking services, treasury businesses, and provision of asset management, trust and other financial services.

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

	For the year ended 31 December			
	2011 (RMB million) (audited)	HK\$ million equivalent	2010 (RMB million) (audited)	HK\$ million equivalent
Profit before taxation	47,122	57,805	33,343	40,902
Profit after taxation	36,129	44,319	25,769	31,611
Net asset value	164,997	202,402	134,006	164,385

As at 31 December 2011, the audited consolidated net asset value attributable to the owners of CMB amounted to approximately RMB164,997 million (equivalent to approximately HK\$202,402 million) and the audited net asset value per CMB A Share was RMB7.65. The Group held a 0.31% and 0.31% interest of CMB at the financial year end of 2011 and 2010 respectively. The audited net asset value attributable to the CMB A Shares held by the Group was approximately RMB511 million (equivalent to approximately HK\$627 million) as at 31 December 2011. Dividend income received by the Group from CMB amounted to approximately RMB19.09 million (equivalent to approximately HK\$23.42 million) in 2011 and approximately RMB26.29 million (equivalent to approximately HK\$32.25 million) in 2010. The change in fair value on CMB attributable to the Group amounted to loss of approximately US\$9.58 million (equivalent to approximately HK\$74.33 million) in 2011 and loss of approximately US\$39.86 million (equivalent to approximately HK\$309.27 million) in 2010 respectively.

As disclosed in the interim results of CMB for the six months ended 30 June 2012 prepared under the PRC accounting standards, the net asset value of CMB as at 30 June 2012 was RMB181,347 million and the net asset value per share was RMB8.40.

The highest and 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 RMB13.10 and RMB9.54 (equivalent to approximately HK\$16.07 and HK\$11.70) respectively. As at 17 October 2012, the trading day immediately before the date of this announcement, the closing price of CMB A Shares as quoted on the SSE was RMB10.36 (equivalent to approximately HK\$12.71).

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 2011 which was US\$101.41 million (equivalent to approximately HK\$786.82 million) and the minimum selling price of RMB7.65 (equivalent to approximately HK\$9.38), the expected realized accounting loss on the disposal of the CMB Interests is US\$36.30 million (equivalent to approximately HK\$281.64 million).

As at the date of this announcement, the CMB Interests account for approximately 19.52% of the Company's net asset value based on the Company's unaudited consolidated accounts as at 30 September 2012.

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 44,624,000 IBC A Shares which are listed and freely tradable on the SSE, representing approximately 0.41% 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 44,624,000 IBC A Shares held by the Company as at the date of this announcement, represent the entire interest held by the Group in 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 2011 Disposal Mandates, 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 very substantial disposal 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 RMB10.68 (equivalent to approximately HK\$13.10) 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 RMB10.68 was determined with reference to the net asset value per share of IBC as at 31 December 2011, 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.

As disclosed in the circular of the Company dated 17 November 2011, the minimum selling price for the disposal mandate for IBC A Shares obtained at the extraordinary general meeting of the Company held on 5 December 2011 was RMB10.00, which was determined on the basis of the net asset value of IBC for 2011 estimated by the Company with reference to the audited net asset value per share of IBC as at 31 December 2010 (adjusted as a result of distribution of dividend) and the average rate of return on equity of 16 PRC listed banks for the year ended 31 December 2010. Given the change in market conditions and performance of the IBC A Shares in the year 2012, if the same basis is adopted for determining the minimum selling price for the IBC Disposal Mandate this year, such price would be so high that the ability of the Directors to capture the right opportunities for disposing of IBC A Shares would be gravely hindered under volatile market conditions, which would not be in the interest of the Company and the Shareholders as a whole.

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, which is considerably lower than the price-to-book ratio of the IBC A Shares at the time of determining the terms of the 2011 Disposal Mandates. 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 2011 as the current basis for determining the minimum selling price is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The minimum selling price per IBC A Share of RMB10.68 represents:

- a discount of approximately 13.45% to the closing price of RMB12.34 per IBC A Share as quoted on the SSE as at 17 October 2012, the trading day immediately before the date of this announcement; and
- a discount of approximately 7.85% to the lowest closing price of RMB11.59 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 one-year 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 a whole.

Having considered the above factors, the Directors consider that the minimum selling price of RMB10.68 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 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 Mr. CHU Lap Lik, Victor 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 4,000,000 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 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 aggregate 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 2011 annual report of IBC and publicly available information, IBC has over 640 branches and offices throughout the PRC. As at 31 December 2011, IBC had a total share capital of RMB10,786 million.

From publicly available information, the Company understands that the main business activities of IBC include: taking deposits from the public; granting short, medium and long-term loans; handling domestic and international settlements; handling bills and notes acceptances and discounting; issuing financial bonds; acting as agent for the issue and encashment of and underwriting government bonds; trading government bonds and financial bonds; acting as agent for the issue of quoted securities other than stocks; trading quoted securities other than stocks, either on its own behalf or on behalf of clients; asset custody business; engaging in inter-bank lendings and borrowings; trading foreign currencies, either on its own behalf or on behalf of clients; providing foreign exchange services; engaging in credit card business; providing letters of credit and guarantees services; engaging in agency collections and payments as well as insurance agency business; providing safe deposit box services; providing financial consultancy, credit investigations, advisory and attestation services; finance leasing; trust business; trust related services and other businesses approved by the CBRC.

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

	For the year ended 31 December			
	2011 (RMB million) (audited)	HK\$ million equivalent	2010 (RMB million) (audited)	HK\$ million equivalent
Profit before taxation	33,664	41,296	24,005	29,447
Profit after taxation	25,505	31,287	18,521	22,720
Net asset value	115,209	141,327	91,995	112,850

As at 31 December 2011, the audited consolidated net asset value attributable to the owners of IBC amounted to approximately RMB115,209 million (equivalent to approximately HK\$141,327 million) and the audited net asset value per IBC A Share was RMB10.68. The Group held a 0.41% and 0.83% interest of IBC at the financial year end of 2011 and 2010 respectively. The audited net asset value attributable to the IBC A Shares held by the Group was approximately RMB472 million (equivalent to approximately HK\$579 million) as at 31 December 2011. Dividend income received by the Group from IBC amounted to approximately RMB17.50 million (equivalent to approximately HK\$21.47 million) in 2011 and RMB21.68 million (equivalent to approximately HK\$26.59 million) in 2010. The change in fair value on IBC attributable to the Group amounted to loss of approximately US\$5.84 million (equivalent to approximately HK\$45.31 million) in 2011 and loss of approximately US\$91.90 million (equivalent to approximately HK\$713.03 million) in 2010 respectively.

As disclosed in the interim results of IBC for the six months ended 30 June 2012 prepared under the PRC accounting standards, the net asset value of IBC as at 30 June 2012 was RMB129,722 million and the net asset value per share was RMB12.03.

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 RMB14.68 and RMB11.59 (equivalent to approximately HK\$18.01 and HK\$14.22) respectively. As at 17 October 2012, the trading day immediately before the date of this announcement, the closing price of IBC A Shares as quoted on the SSE was RMB12.34 (equivalent to approximately HK\$15.14).

Financial effect of the disposal of IBC Interests

Based on the carrying amount of the IBC Interests as at 31 December 2011 which was US\$88.60 million (equivalent to approximately HK\$687.43 million) and the minimum selling price of RMB10.68 (equivalent to approximately HK\$13.10), the expected realized accounting loss on the disposal of the IBC Interests is US\$13.25 million (equivalent to approximately HK\$102.80 million).

As at the date of this announcement, the IBC Interests account for approximately 19.12% of the Company's net asset value based on the Company's unaudited consolidated accounts as at 30 September 2012.

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 2012 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 continually seek to optimize its mix of investments in order to create greater shareholder value. The proceeds from the Proposed Disposals (if the CMB Disposal Mandate or the IBC Disposal Mandate is exercised in part or in full) are intended to be applied to present and future investments of the Group and will put the Group in a better and more flexible financial position to take advantage of current and future investment opportunities should they arise.

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.

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 6 months from the completion of the CMB A Rights Issue such that its CMB Interests no longer exceed 20% the Company's net asset value within the stipulated time frame, 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.

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 and the Proposed IBC Disposal after the expiry of the 2011 Disposal Mandates, the aggregate of all the shares to be disposed of under the Proposed Disposals may constitute a very substantial disposal of the Company under Chapter 14 of the Listing Rules. The Proposed Disposals would then be subject to the requirements of announcement, circular and the Shareholders' approval under the Listing Rules. The Board thus proposes to seek the Shareholders' approval of the CMB Disposal Mandate and 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.

A circular, containing further details of, and other disclosures in connection with, the Proposed Disposals required under the Listing Rules, including the financial information of the CMB Interests and the IBC Interests required under Rule 14.68(2)(b) of the Listing Rules, together with the notice of the EGM for approving the Proposed Disposals is expected to be despatched to the Shareholders on or about 9 November 2012.

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 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 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 to the extent that the interest of the Group in CMB would not exceed 20% of the net asset value of the Company within 6 months from the completion of the CMB A Rights Issue 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

“2011 Disposal Mandates”	the disposal mandates granted to the Directors by the Shareholders at the extraordinary general meeting of the Company held on 5 December 2011 to dispose of up to 65,830,102 CMB A Shares, the 14,482,622 CMB A Rights Shares estimated to be allotted and issued to the Company pursuant to the CMB A Rights Issue and 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 27 October 2011 and the circular of the Company dated 17 November 2011
“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 Rights Issue”	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, details of which were set out in the circular issued by CMB on 25 July 2011
“CMB A Rights Shares”	the new CMB A Shares allotted and issued pursuant to the CMB A Rights Issue
“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 53,830,102 CMB A Shares held by the Company as at the date of this announcement and the 11,842,622 CMB A Rights Shares estimated to be allotted and issued to the Company pursuant to the CMB A Rights Issue which are freely tradable on the SSE, representing the entire interest held by the Group in CMB
“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 (Stock Code: 0133)
“Conditions”	the conditions imposed by the Stock Exchange on the waiver 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 CMB A Rights Issue as disclosed in the announcement of the Company dated 20 September 2011 in relation to the proposed subscription for the CMB A Rights Shares by the Company pursuant to the CMB A Rights Issue

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors 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 shares 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 44,624,000 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 & Futures Ordinance 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
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) of US\$0.10 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
“%”	per cent

For illustrative purposes in this announcement only, RMB1 = HK\$1.2267, US\$1 = HK\$7.7588 and US\$1 = RMB6.3249

By Order of the Board
ZHOU Linda Lei
Director

Hong Kong, 18 October 2012

As at the date hereof, the executive Directors of the Company are Mr. LI Yinquan, Mr. HONG Xiaoyuan, Mr. CHU Lap Lik, Victor, Ms. ZHOU Linda Lei and Mr. TSE Yue Kit; the non-executive Director 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.