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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)**

**MAJOR TRANSACTION  
DISPOSAL OF 21% EQUITY INTEREST IN  
GUANGZHOU DIGITAL MEDIA GROUP LTD.**

On 1 August 2014, Tian Zheng, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser, pursuant to which Tian Zheng agreed to sell and the Purchaser agreed to purchase the Sale Interest (being the 21% equity interest in Guangzhou Digital held by the Group) at a total consideration of RMB462,000,000 (equivalent to approximately US\$75,087,765), on and subject to the terms and conditions of the Agreement. Tian Zheng has held the Sale Interest since 2009 when it made a capital injection into Guangzhou Digital.

As the consideration ratio calculated in accordance with Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Agreement is more than 25% but is less than 75%, the Disposal constitutes a major transaction of the Company and is subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

An EGM will be convened for the purpose of considering and, if thought fit, approving the Agreement and the transaction contemplated thereunder. To the best of the knowledge and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the Disposal, and it is expected that no Shareholder is required to abstain from voting at the EGM on an ordinary resolution to approve the Agreement and the transaction contemplated thereunder.

A circular containing, amongst other things, further details of the Disposal, information on Guangzhou Digital, other general information of the Company and the notice of the EGM will be despatched to the Shareholders on or before 22 August 2014.

**The Disposal is subject to the fulfillment of certain conditions precedent, hence the Disposal may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **INTRODUCTION**

The Group through Tian Zheng, an indirect wholly-owned subsidiary of the Company, holds a 21% equity interest in Guangzhou Digital since it made a capital injection into Guangzhou Digital in 2009.

On 1 August 2014, Tian Zheng entered into the Agreement with the Purchaser, pursuant to which Tian Zheng agreed to sell and the Purchaser agreed to purchase the Sale Interest (being the 21% equity interest in Guangzhou Digital held by the Group) at a total consideration of RMB462,000,000 (equivalent to approximately US\$75,087,765), on and subject to the terms and conditions of the Agreement.

## **THE AGREEMENT**

### **Date**

1 August 2014

### **Parties**

Vendor : Tian Zheng, an indirect wholly-owned subsidiary of the Company  
Purchaser : China Entinet Cable Holdings Co., Ltd.

To the best of the knowledge and belief of the Directors, having made all reasonable enquiries, the Purchaser, its holding company, Hunan TV & Broadcast Intermediary Co., Ltd. (the shares of which are listed on the Shenzhen Stock Exchange) and the largest shareholder of Hunan TV & Broadcast Intermediary Co., Ltd. are third parties independent of the Company and its connected persons.

### **Assets to be disposed of**

The Sale Interest, being 21% equity interest in Guangzhou Digital.

The principal businesses of Guangzhou Digital are the provision of cable television transmission of programs for users in Guangzhou, the PRC, and the operation of broadband internet access, high-definition video on demand and other interactive services. Guangzhou Digital currently has nearly 1.4 million subscribers for various types of television programs and around 200,000 users for broadband internet services.

The benchmark date in respect of the transfer of the Sale Interest is 30 September 2013 (the “**Benchmark Date**”). As part of the Disposal, the Purchaser shall be entitled to all the shareholders’ interest comprised in the Sale Interest from the Benchmark Date. After completion of the Disposal, the Purchaser will be entitled to the profits of Guangzhou Digital distributed and those profits declared but not yet distributed which are attributable to the Sale Interest as from the Benchmark Date (including the dividend of Guangzhou Digital approved at its general meeting held in March 2014). In this regard, the dividend for the year 2013 distributed by Guangzhou Digital attributable to the Sale Interest amounting to RMB10,389,053 shall belong to the Purchaser after completion of the Disposal.

***Financial information of Guangzhou Digital***

Set out below is the audited financial information of Guangzhou Digital for the two financial years ended 31 December 2012 and 31 December 2013:-

	<b>For the year ended 31 December</b>	
	<b>2012</b>	<b>2013</b>
	(audited)	(audited)
	<i>RMB million</i>	<i>RMB million</i>
Profit before tax	104.03	112.43
Profit after tax	102.71	111.53

As at 31 December 2013, the audited consolidated net asset value attributable to owners of Guangzhou Digital was approximately RMB522.93 million.

The carrying value of the Sale Interest in the audited consolidated financial statements of the Group as at 31 December 2013 amounted to approximately US\$57.90 million.

**Consideration**

The Consideration payable by the Purchaser to Tian Zheng for the Sale Interest is RMB462,000,000 (equivalent to approximately US\$75,087,765) and shall be satisfied in the following manner:-

- (a) the first installment of RMB231,000,000 shall be paid by the Purchaser within 15 working days from the effective date of the Agreement;
- (b) the remaining balance of RMB231,000,000 shall be paid by the Purchaser within 15 working days from the date of the completion of the State Administration of Industry and Commerce registration of the transfer of the Sale Interest pursuant to the Agreement (which shall be handled within 40 working days from the date of payment under (a) above).

In the event that the Purchaser fails to make payment of the Consideration in accordance with the above, the Purchaser will be subject to a daily default interest of 0.05% on the outstanding Consideration for each day of the delay.

The Consideration was determined after arm's length negotiations between the parties to the Agreement on normal commercial terms, with reference to the audited consolidated net asset value as at 31 December 2013 and the profit after tax for the year ended 31 December 2013 of Guangzhou Digital and the average price-earnings ratios (after liquidity discount) as at 31 December 2013 and 31 March 2014 of some other A shares listed companies in the same industry in the PRC.

### **Conditions precedent**

The taking effect of the Agreement is conditional upon satisfaction of the following conditions:-

- a. the passing of an ordinary resolution by the Shareholders at the EGM to approve the Agreement and the transaction contemplated thereunder; and
- b. the approval of the Agreement by the board of directors of Hunan TV & Broadcast Intermediary Co., Ltd., the holding company of the Purchaser.

### **REASONS FOR AND BENEFITS OF THE DISPOSAL**

As an investment company, the strategy of the Group is to continue to make every effort to identify new investment projects, while maintaining an emphasis on investment opportunities in industries such as 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, agriculture, medical and pharmaceutical, etc. The Group will also seek to optimize its mix of investments to endeavor to create greater shareholder value. The Directors believe that the Disposal is in line with the aforesaid investment strategy of the Group.

As the Company understands that there is no definite timetable for listing of Guangzhou Digital in the PRC and Tian Zheng has invested in Guangzhou Digital since 2009, the Board is of the view that it is an appropriate time to withdraw the Group's investment in Guangzhou Digital so as to earn a considerable investment return and to focus on other investment projects and opportunities.

It is expected that a gain of approximately RMB108,970,000 (equivalent to approximately US\$17,710,636) will accrue to the Group in the current financial year upon completion, which is determined based on the difference between the Consideration and the carrying value of the Sale Interest held by the Group as at 31 December 2013. The net proceeds from the Disposal will be used by the Group on potential investment opportunities in the future.

The Directors (including the independent non-executive Directors) consider that the Agreement is on normal commercial terms, and its terms are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As the consideration ratio calculated in accordance with Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Agreement is more than 25% but is less than 75%, the Disposal constitutes a major transaction of the Company and is subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

An EGM will be convened for the purpose of considering and, if thought fit, approving the Agreement and the transaction contemplated thereunder. To the best of the knowledge and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the transaction contemplated under the Agreement such that he or it shall abstain from voting at the EGM on an ordinary resolution to approve the Agreement and the transaction contemplated thereunder.

A circular containing, amongst other things, further details of the Disposal, information on Guangzhou Digital, other general information of the Company and the notice of the EGM will be despatched to the Shareholders on or before 22 August 2014.

**The Disposal is subject to the fulfillment of certain conditions precedent, hence the Disposal may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **GENERAL INFORMATION**

The Company is an investment company, the Shares of which are listed on the Main Board of the Stock Exchange. The Group specializes in investing in the PRC. Its investment objective is to acquire quality investments, principally in unlisted enterprises, in the PRC. The Group 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).

The Purchaser is a wholly-owned subsidiary of Hunan TV & Broadcast Intermediary Co., Ltd. and is principally engaged in the operation and development of cable television network.

## **DEFINITION**

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

“Agreement”	the agreement for the sale and purchase of the Sale Interest entered into between Tian Zheng (as vendor) and the Purchaser (as purchaser) on 1 August 2014
“Board”	the board of Directors

“Company”	China Merchants China Direct Investments Limited 招商局中國基金有限公司, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange
“Consideration”	RMB462,000,000, being the total consideration for the sale and purchase of the Sale Interest
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of the Sale Interest by Tian Zheng to the Purchaser on and subject to the terms and conditions of the Agreement
“EGM”	the extraordinary general meeting proposed to be convened by the Company to consider and, if thought fit, to approve the Agreement and the transaction contemplated thereunder
“Group”	the Company, its subsidiaries, jointly controlled entities and associated companies from time to time
“Guangzhou Digital”	廣州珠江數碼集團有限公司 (Guangzhou Digital Media Group Ltd.*), a company incorporated in the PRC with limited liability and owned as to 21% by Tian Zheng as at the date of the Agreement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Purchaser”	華豐達有線網絡控股有限公司 (China Entinet Cable Holdings Co., Ltd.*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of 湖南電廣傳媒股份有限公司 (Hunan TV & Broadcast Intermediary Co., Ltd.*) (the shares of which are listed on the Shenzhen Stock Exchange)
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	21% equity interest of Guangzhou Digital
“Share(s)”	share(s) of the Company

“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 indirect wholly-owned subsidiary of the Company
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

*For illustrative purpose in this announcement only, US\$1=RMB6.1528*

By Order of the Board  
**TSE Yue Kit**  
*Director*

Hong Kong, 1 August 2014

*\* For identification purposes only*

*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 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.*