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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)

INVESTMENT IN AND ESTABLISHMENT OF XINHUA PRESCHOOL EDUCATION

China Merchants China Direct Investments Limited (the “**Company**”) announces that Shenzhen Tian Zheng Investment Co., Ltd. (“**Tian Zheng**”), a wholly-owned subsidiary of the Company, entered into a joint venture agreement with 廣西新華書店集團股份有限公司 (Guangxi Xinhua Bookstore Group Share Corporation Limited*, “**Guangxi Xinhua Bookstore**”) on 31 October 2014, pursuant to which Tian Zheng agrees to jointly invest in, establish and set up 廣西新華幼兒教育投資有限公司 (Guangxi Xinhua Preschool Education Investment Corporation Limited*, “**Xinhua Preschool Education**”) with Guangxi Xinhua Bookstore, with a registered capital of RMB300,000,000, of which Tian Zheng undertakes to make a total capital contribution of RMB90,000,000 and the first contribution made by Tian Zheng will be RMB30,000,000. After obtaining the approval of the relevant supervisory authorities and after the completion of the registration and establishment of Xinhua Preschool Education, Tian Zheng will hold 30% of the equity interests of Xinhua Preschool Education and Guangxi Xinhua Bookstore will hold 70% of the equity interests of Xinhua Preschool Education.

Information on Xinhua Preschool Education and the Joint Venture Partner

Xinhua Preschool Education will be primarily engaged in investment and operation of preschool early childhood education, and is intended to gradually establish and operate approximately 100 kindergartens in the district of Guangxi Zhuang Autonomous Region (“**Guangxi**”) and to launch the business of chain preschool early childhood education, counseling, supplementary teaching materials and teaching aids, online platforms and output of management consulting services, through ways such as self-construction, leasing, joint ventures and custody. The Company understands that the joint venture partner Guangxi Xinhua Bookstore is under the direct supervision of the Guangxi government and is a key educational publishing institution in the Guangxi district with good reputation. Guangxi Xinhua Bookstore has an in-depth understanding of and broad network of relationships in the local market of early childhood education. This would enable Xinhua Preschool Education to gain a cutting edge in the local market of early childhood education.

Reasons for and Benefits of the Investment in Xinhua Preschool Education

Preschool education (meaning education prior to primary school) has not been incorporated in the scope of compulsory education in China. Although preschool education is of vital importance to different levels of government authorities, in practice, there are significant deficiencies in the resources contribution, and Guangxi is even below the nationwide average. It is expected that the deficiencies in resources of preschool education will be further exacerbated, with family planning policies such as “selective two-child policy” being gradually relaxed. Faced with the business opportunity in the serious imbalance between demand and supply in the area of preschool education (especially early childhood education for the 3-year-old to 6-year-old) and through the good opportunity of the Guangxi government launching an innovation mechanism to accelerate development policies of preschool education, after cautious investigation and research, Tian Zheng and Guangxi Xinhua Bookstore decided to jointly invest in, establish and set up Xinhua Preschool Education. The Company believes that with the combination of support of the shareholders of the two joint venture partners in Xinhua Preschool Education, plus the favourable external conditions of the early childhood education industry, Xinhua Preschool Education is expected to have promising development prospects.

The investment in Xinhua Preschool Education is the first investment of the Company in the education sector. The Company believes that the investment in Xinhua Preschool Education will further optimise the Company’s investment portfolio in the culture and media segment, and will be an opportunity to develop new channels to extend its investment in related sectors through such an investment.

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

Hong Kong, 31 October 2014

** For identification purposes only*

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