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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)

**Connected Transaction
Disposal of 10% equity interest in Morgan Stanley Fund**

SUMMARY

The Board announced that pursuant to the Share Transfer Agreement, the Company shall procure its wholly-owned subsidiary, CMID, to dispose of its 10% equity interest in Morgan Stanley Fund to CMFI.

The consideration payable by CMFI is RMB33,000,000 (equivalent to HK\$39,118,065) in cash. CMFI is a connected person of the Company and the Disposal constitutes a connected transaction for the Company under the Listing Rules. Since each of the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules in connection with the Disposal is less than 5%, the Disposal is only subject to the reporting and announcement requirements as set out in Rules 14A.45 and 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirements.

THE SHARE TRANSFER AGREEMENT

Date

4 March 2011

Parties

Seller: CMID (a wholly-owned subsidiary of the Company)

Purchaser: CMFI (a connected person of the Company)

Assets to be disposed of

10% equity interest in Morgan Stanley Fund

Consideration

The consideration payable by CMFI for the Disposal is RMB33,000,000 (equivalent to HK\$39,118,065) in cash which was arrived at after arm's length negotiation between CMID and CMFI with reference to valuation assessed by a professional independent third party.

Completion

Completion of the Disposal will take place within 7 Business Days from the date when all relevant and required approval(s) in relation to the Disposal is/are obtained.

INFORMATION ON MORGAN STANLEY FUND, THE COMPANY, CMID AND CMFI

Morgan Stanley Fund, formerly known as Jutian Fund Management Company Limited, was established in 2003 in the PRC with the approval of the CSRC with a registered capital of RMB100 million. The principal business of Morgan Stanley Fund is fund management including raising and sale of securities investment funds, assets management and other businesses approved by the CSRC in the PRC.

The Company is an investment company whose shares 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 in the Stock Exchange provided that the main businesses or incomes of such companies are derived from the PRC including Hong Kong.

CMID is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company. CMID is an investment holding company.

CMFI, an indirectly wholly-owned subsidiary of CMG, is established in the PRC. It is an investment holding vehicle of CMG investing and managing financial assets of CMG.

REASONS FOR THE DISPOSAL

As an investment company, it has always been the Company’s strategy to focus on investment and investment opportunities which are expected to have higher investment potentials. The Directors believe that the Disposal is in line with such investment strategy.

The Company understands that there is no definite timetable for listing of Morgan Stanley Fund in the PRC and CMID has invested in Morgan Stanley Fund since 2003, the Board considers that it is an appropriate time to divest its equity interest in Morgan Stanley Fund by the Disposal with reasonable return and focus on other investments and investment opportunities.

Upon completion of the Disposal, the Company will no longer own any interest in Morgan Stanley Fund.

The Directors (including the Independent Non-executive Directors) consider that the Disposal is on normal commercial terms and in the ordinary and usual course of business of the Company and the terms of the Disposal are fair and reasonable and in the interest of the Shareholders as a whole. The Company estimates that realized accounting profit of approximately RMB21,800,000 (equivalent to HK\$25,841,631) will be recorded as a result of the Disposal, which represents the difference between the consideration and the book value of the 10% interest in Morgan Stanley Fund. The Company intends to use the sale proceeds to fund future investment opportunities.

CONNECTED TRANSACTION

CMFI is a connected person of the Company by being an associate of CMG, a substantial shareholder of the Company. Therefore the Disposal constitutes a connected transaction for the Company under the Listing Rules. Since each of the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules in connection with the Disposal is less than 5%, the Disposal is only subject to the reporting and announcement requirements as set out in Rules 14A.45 and 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirements.

GENERAL

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Director has a material interest in the Disposal and therefore no Director is required to abstain from voting on the board resolution in relation to the Disposal.

DEFINITIONS

“associate”	has the meaning as ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day on which banks are opened for business in the PRC (excluding Saturdays, Sundays and public holidays in the PRC)
“CMFI”	深圳市招融投資控股有限公司 (China Merchants Finance Investment Holdings Co., Ltd.*), a company incorporated in the PRC with limited liability
“CMG”	招商局集團有限公司 (China Merchants Group Limited), a company incorporated in the PRC with limited liability

“CMID”	招商局實業發展(深圳)有限公司(China Merchants Industry Development (Shenzhen) Limited), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Company”	China Merchants China Direct Investments Limited, a company incorporated in Hong Kong whose shares are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it in the Listing Rules
“CSRC”	the China Securities Regulatory Commission
“Directors”	the Directors of the Company
“Disposal”	the disposal of 10% equity interest in Morgan Stanley Fund from CMID to CMFI as contemplated under the Share Transfer Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“investment company”	has the meaning ascribed to it under Rule 21.01 of the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Morgan Stanley Fund”	Morgan Stanley Huaxin Fund Management Company Limited, a company previously known as Jutian Fund Management Company Limited, established in 2003 in the PRC with the approval of the CSRC
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share Transfer Agreement”	the share transfer agreement dated 4 March 2011 entered into between CMID as seller and CMFI as purchaser in relation to CMID’s disposal of 10% equity interest in Morgan Stanley Fund to CMFI

“Shareholders”	shareholders of the Company
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

For reference only, the figures in RMB referred to above have been translated into Hong Kong dollars on the basis of assumed exchange rate of HK\$1.00 = RMB0.8436.

By Order of the Board
ZHOU Linda Lei
 Director

Hong Kong, 4 March 2011

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. KUT Ying Hay, Mr. WANG Jincheng, Mr. LI Kai Cheong, Samson and Mr. LIU Baojie. In addition, Ms. KAN Ka Yee, Elizabeth is the Alternate Director to Mr. CHU Lap Lik, Victor.

**For identification purposes only*