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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)

ANNOUNCEMENT

**PROPOSED SUBSCRIPTION FOR CMB A RIGHTS SHARES
WAIVER GRANTED BY THE HONG KONG STOCK EXCHANGE
IN RELATION TO LISTING RULE 21.04(3)(b)**

SUMMARY

As at the date of this announcement, the Company held 65,830,102 CMB A Shares. On 9 September 2011, CMB announced that it has obtained the approval from its shareholders for the CMB Rights Issues. Subject to Shareholders' approval, the Company plans to subscribe for its CMB A Rights Shares under the CMB A Rights Issue in full.

In order to proceed with the Subscription, the Company requires the Hong Kong Stock Exchange's waiver (in relation to Listing Rule 21.04(3)(b)) and the Shareholders' approval of the Subscription.

The Company has applied for, and the Hong Kong Stock Exchange has granted, the Waiver based on various Conditions.

The purpose of this announcement is to provide the Shareholders with information on the Subscription and the Waiver granted by the Hong Kong Stock Exchange in relation to the Subscription.

BACKGROUND

The CMB Interests

Reference is made to the Company's circular dated 27 November 2009 and announcement dated 20 September 2010 in relation to the background of the CMB Interests. As at the date of this announcement, the Company held 65,830,102 CMB A Shares (i.e. the CMB Interests), representing approximately 0.31% of CMB's issued share capital based on publicly available information.

The CMB Rights Issues

On 18 July 2011, CMB announced that it would seek the approval from its shareholders for the CMB Rights Issues. Details of the CMB Rights Issues are set out in the CMB Circular. According to the CMB Circular, the CMB Rights Issues will be conducted on the basis of: (i) up to 2.2 CMB Rights Shares for every 10 existing CMB Shares; (ii) the gross proceeds of the CMB Rights Issues will be not more than RMB35 billion; and (iii) the CMB Rights Shares will be issued at not less than RMB6.21 per CMB Rights Share.

Taking into account the maximum gross proceeds of the CMB Rights Issues at RMB35 billion and the maximum allocation basis for the CMB Rights Issues of 2.2 CMB Rights Shares for every 10 existing CMB Shares (i.e. the Allocation Assumption), the CMB Rights Shares will be issued at RMB7.37 per CMB Rights Share (i.e. the Subscription Price Assumption).

The Subscription

Based on the Allocation Assumption, the Company estimates approximately 14,482,622 CMB A Rights Shares will be allotted and issued to the Company in nil-paid form pursuant to the CMB A Rights Issue (subject to final determination of CMB). For the reasons discussed in the paragraph "REASONS FOR THE SUBSCRIPTION" below, the Company plans to subscribe for its CMB A Rights Shares in full. Based on the Subscription Price Assumption, the Company estimates the cost of the Subscription is approximately RMB107 million (subject to final determination of CMB). The Subscription is subject to Shareholders' approval as one of the Conditions of the Waiver. Please refer to the paragraph "REGULATORY ISSUES IN RELATION TO THE SUBSCRIPTION – Conditions of the Waiver" below for details.

The Disposal Mandate

It has been the Company's known policy to dispose of the CMB Interests in gradual manner. In this connection, the Company has obtained the Disposal Mandate for the possible disposal of its interests in CMB. The Company plans to renew the Disposal Mandate and will issue announcement(s) setting out details of the proposed renewal of the Disposal Mandate which would constitute possible very substantial disposal for the Company in or around late October 2011.

REASONS FOR THE SUBSCRIPTION

The Company understands that there is no arrangement for trading in nil-paid CMB A Rights Shares under the CMB A Rights Issue. Based on the Assumptions and the price of RMB11.44 per CMB A Share (being the closing price of CMB A Shares on the date of this announcement), the theoretical ex-rights price is approximately RMB10.71 per CMB A Share. In other words, the value of every nil-paid CMB A Rights Share is approximately RMB0.73. If the Company does not subscribe for any of its CMB A Rights Shares, the Company will suffer a loss of approximately RMB48.06 million for the CMB Interests on the ex-rights date based on the Assumptions (i.e. the Ex-rights Loss).

While it has been the Company's known policy to dispose of the CMB Interests in gradual manner, the Company believes that the Shareholders will be benefited from the Company subscribing for CMB A Rights Shares in the CMB A Rights Issue, to be followed by disposal of such CMB A Rights Shares within a reasonable timeframe. In light of the above circumstances, the Company is of the view that the Subscription would be in the best interests of the Shareholders.

REGULATORY ISSUES IN RELATION TO THE SUBSCRIPTION

Listing Rule 21.04(3)(b)

Listing Rule 21.04(3)(b) provides that the investment company and its management must ensure compliance at all times while it remains listed under Chapter 21 that "a reasonable spread of investments will be maintained by the investment company. Generally this will mean that the value of its holding of investments issued by any one company or body shall not exceed 20% of the investment company's net asset value at the time when such investment is made".

The Investment Restriction

As disclosed in the Prospectus, the Board has resolved the Investment Restriction in line with Listing Rule 21.04(3)(b) on the following terms at the time of the Company's initial public offering in 1993:

- (i) the Company will not purchase any security or make any investment if, as a result, more than 20% of the Company's NAV would be invested in any one company or enterprise;
- (ii) the Investment Restriction will not require the realisation of any investment of the Company where such Investment Restriction is breached as a result of any event outside the control of the Company occurring after the relevant investment is made, but no further investment may be made until the Investment Restriction can again be complied with; and
- (iii) the Investment Restriction may not be amended while the shares of the Company remain listed on the Hong Kong Stock Exchange except with the approval of the Shareholders in general meeting and with the prior written consent of the Hong Kong Stock Exchange (i.e. the Consent).

Steps Taken to Achieve a Balanced Portfolio

The Directors note that the investment in CMB has become increasingly significant to the Company as a result of the rapid appreciation in CMB A Shares since CMB's listings in Shanghai in 2002. The Company fully appreciates the importance of maintaining a "reasonable spread of investments" and it takes the obligation to achieve a balanced portfolio seriously. Since the expiry of the lock-up periods in early 2008, the Company has been actively disposing of its CMB A Shares in recent years. In 2008, 2009 and 2010, the Company sold 5,945,000 CMB A Shares, 34,000,000 CMB A Shares and 59,340,000 CMB A Shares. In other words, the Company sold an aggregate of 99,285,000 CMB A Shares pursuant to the relevant disposal mandates granted by the Shareholders during these years. Notwithstanding the Company has not purchased any CMB A Shares since the completion of the last CMB rights issue in 2010, given the fair value fluctuation of the Company's various investments, the CMB Interests recently exceeded 20% of the Company's NAV.

As excessive cash component in the Company's portfolio (as a result of such disposals) would not achieve a reasonable spread of investments, the Company has taken active steps to identify and make new investments for portfolio adjustment. By illustration, the Company made approximately RMB157 million, RMB270 million and RMB470 million (or RMB630 million on committed basis) in 2008, 2009 and 2010 respectively, on new investment projects. Based on the Company's current business plan for 2011, subject to market conditions and various factors, the Company is expected to make approximately RMB340 million on new investment projects.

Circumstances of the Hong Kong Stock Exchange's Waiver

As at the date of this announcement, the CMB Interests account for approximately 24.82% of the Company's NAV based on the Company's unaudited consolidated accounts as at 31 August 2011. Since the Subscription would constitute a further investment in CMB, it is therefore subject to Listing Rule 21.04(3)(b) and the Investment Restriction.

In order to proceed with the Subscription, the Company requires the Hong Kong Stock Exchange's waiver (in relation to Listing Rule 21.04(3)(b)) and the Shareholders' approval of the Subscription.

Conditions of the Waiver

The Company has applied for, and the Hong Kong Stock Exchange has granted, the Waiver on the following Conditions:-

- (i) the Company will obtain Shareholders' approval for the Subscription;
- (ii) the Company will dispose of a minimum of 10,500,000 CMB A Shares by the ex-rights date to be announced by CMB in relation to the CMB A Rights Issue;
- (iii) within a period of 6 months after the completion of the CMB A Rights Issue, the Company will further dispose of CMB A Shares to the extent that its CMB Interests will no longer account for more than 20% of the Company's NAV; and

(iv) the Company will publish an announcement on the grant of the Waiver setting out relevant details including the circumstances and conditions imposed as soon as possible.

The Company is of the view that the Consent required under the Investment Restriction has been satisfied by the grant of the Waiver.

The Company's View on the Conditions

The Conditions were imposed by the Hong Kong Stock Exchange after taking into account the circumstances of the Subscription.

While the Board is strongly of the view that the Subscription is in the best interests of the Shareholders, the Board believes that the regulatory concern for maintaining a reasonable spread of investments under Listing Rule 21.04(3)(b) is being considered in the Subscription by the introduction of the Conditions in the Waiver.

The Board believes that Conditions (i) and (iv) will provide the Shareholders with sufficient information on the Subscription such that the Shareholders will be able to make a fully informed decision on the Subscription. This announcement is issued by the Company pursuant to Condition (iv).

The Board believes that Condition (ii) will ensure that the Company will not be required to contribute any new fund for the Subscription (other than the proceeds from the Disposal) – such as to minimise the effect of making “new investment” in CMB as restricted under Listing Rule 21.04(3)(b). The Disposal will be covered by the Disposal Mandate and is not subject to further Shareholders’ approval and the Disposal is part of the Company’s plan to achieve a more balanced portfolio in a commercially viable manner.

The Board believes that Condition (iii) will ensure that the Company will maintain a reasonable spread of investments by disposing of a portion of the CMB Interests within a reasonable timeframe.

GENERAL

The Company will make further announcement(s) setting out details of the EGM and the proposed renewal of the Disposal Mandate which would constitute possible very substantial disposal for the Company as soon as practicable. It is currently expected that the EGM will be held in or around early December 2011 and the Company will issue a Shareholders' circular containing, among others, the notice of the EGM and proxy form, in or around mid-November 2011. Further, the Company will identify suitable investment projects and apply the proceeds from the disposal of the CMB A Shares to achieve a reasonable spread of investments as soon as practicable.

Shareholders and investors should note that the CMB Rights Issues will be subject to various conditions and its terms are subject to final determination of CMB. The indicative figures mentioned in this announcement are derived from the Assumptions and may be subject to change. Shareholders and investors are recommended to exercise caution in dealing in or exercising their rights in relation to securities in the Company.

DEFINITIONS

“Allocation Assumption”	the assumed allocation ratio of 2.2 CMB Rights Shares for every 10 existing CMB Shares, being the maximum allocation basis for the CMB Rights Issues
“Assumptions”	the Allocation Assumption and Subscription Price Assumption
“Board”	the board of Directors
“CMB”	China Merchants Bank Co., Ltd., a joint stock company incorporated in the PRC whose A shares are listed on the Shanghai Stock Exchange and H shares are listed on the Hong Kong Stock Exchange

“CMB A Shares”	PRC-listed domestic share(s) in the registered capital of CMB
“CMB A Rights Issue”	the proposed 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 have been set out in the CMB Circular
“CMB A Rights Shares”	the new CMB A Shares proposed to be allotted and issued pursuant to the CMB A Rights Issue
“CMB Circular”	the shareholders’ circular issued by CMB on 25 July 2011 in relation to the CMB Rights Issues
“CMB H Shares”	overseas listed foreign share(s) in the registered capital of CMB
“CMB H Rights Issue”	the proposed rights issue of CMB H Shares on the basis of up to 2.2 CMB H Rights Shares for every 10 existing CMB H Shares, details of which have been set out in the CMB Circular
“CMB H Rights Shares”	the new CMB H Shares proposed to be allotted and issued pursuant to the CMB H Rights Issue
“CMB Interests”	65,830,102 CMB A Shares held by the Company as at the date of this announcement
“CMB Rights Issues”	the CMB A Rights Issue and CMB H Rights Issue
“CMB Rights Shares”	the CMB A Rights Shares and CMB H Rights Shares
“Company”	China Merchants China Direct Investments Limited, a limited company incorporated in Hong Kong whose shares are listed on the Hong Kong Stock Exchange under Chapter 21 of the Listing Rules

“Conditions”	as described in the paragraph “REGULATORY ISSUES IN RELATION TO THE SUBSCRIPTION - Conditions of the Waiver” in this announcement
“Consent”	as described in the paragraph “REGULATORY ISSUES IN RELATION TO THE SUBSCRIPTION - The Investment Restriction” in this announcement
“Directors”	the directors of the Company, including the independent non-executive directors of the Company
“Disposal”	the disposal of a minimum of 10,500,000 CMB A Shares to be made by the Company before the ex-rights date of the CMB A Rights Issue
“Disposal Mandate”	the Company’s disposal mandate of its interests in CMB granted by the Shareholders on 13 December 2010.
“EGM”	an extraordinary general meeting of the Company to be held to consider and approve, inter alia, the Subscription in or around early December 2011
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Investment Restriction”	as described in the paragraph “REGULATORY ISSUES IN RELATION TO THE SUBSCRIPTION - The Investment Restriction” in this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“NAV”	net asset value
“PRC”	the People’s Republic of China
“Prospectus”	the Company’s prospectus dated 15 July 1993

“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Stock Exchange”	The Shanghai Stock Exchange
“Shareholders”	the shareholders of the Company
“Subscription”	the subscription for the CMB A Rights Shares to be allotted and issued to the Company pursuant to the CMB A Rights Issue
“Subscription Price Assumption”	the assumed subscription price of RMB7.37 per CMB Rights Share, being estimated with reference to the maximum gross proceeds of and maximum allocation basis for the CMB Rights Issues as set out in the CMB Circular
“Waiver”	the Hong Kong Stock Exchange’s waiver (in relation to Listing Rule 21.04(3)(b)) regarding the Subscription
“%”	per cent.

For and on behalf of
**CHINA MERCHANTS CHINA DIRECT
INVESTMENTS LIMITED**
ZHOU Linda Lei
Director

Hong Kong, 20 September 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.