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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 2010 Disposal Mandates from its Shareholders for disposal of its shareholdings in CMB and IBC which will expire on 12 December 2011.

(I) The Proposed CMB Disposal

As at the date of this announcement, the Company beneficially owns a total of 65,830,102 CMB A Shares, which are listed and freely tradable on the SSE, representing approximately 0.31% 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 2010 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 2010 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.

(III) The Proposed Subscription

On 9 September 2011, CMB obtained approval by its shareholders to launch the proposed CMB A Rights Issue. The Company proposes to subscribe for the CMB A Rights Shares to which it is entitled under the CMB A Rights Issue in full. Details of the Proposed Subscription were set out in the Subscription Announcement. The Board proposes to also seek the approval of the Shareholders for the Proposed Subscription at the same time when the Company seeks the Shareholders' approval to grant the CMB Disposal Mandate and the IBC Disposal Mandate.

A circular, containing further details of the Proposed Disposals and the Proposed Subscription, together with the notice of the EGM for approving the Proposed Disposals and the Proposed Subscription, is expected to be dispatched to the Shareholders on or about 17 November 2011.

INTRODUCTION

The Company obtained the 2010 Disposal Mandates from the Shareholders to dispose of up to 65,830,102 CMB A Shares and 49,680,000 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 13 December 2010. Details of the 2010 Disposal Mandates were set out in the announcement of the Company dated 8 November 2010 and the circular of the Company dated 26 November 2010. As at the date of this announcement, the Company (i) has not disposed of any CMB A Shares and (ii) has disposed of an aggregate of 38,400,000 IBC A Shares under the 2010 Disposal Mandates.

As at the date of this announcement, 65,830,102 CMB A Shares and 44,624,000 IBC A Shares (including 33,344,000 IBC A Shares received on 9 May 2011 pursuant to the distribution by IBC of bonus shares converted from its capital reserve on the basis of 8 bonus IBC A Shares for every 10 existing 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 2010 Disposal Mandates on 12 December 2011, 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 65,830,102 CMB A Shares, which are listed and freely tradable on the SSE, representing approximately 0.31% interest in the issued share capital of CMB based on publicly available information.

As disclosed in the Subscription Announcement, the Company proposes to subscribe for the CMB A Rights Shares that will be allotted to it nil-paid pursuant to the CMB A Rights Issue in full subject to the Shareholders' approval. Based on the assumptions set out in the Subscription Announcement, the Company estimates that 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).

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 65,830,102 CMB A Shares held by the Company as at the date of this announcement 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, 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 2010 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 RMB7.20 (equivalent to approximately HK\$8.83) per CMB A Share; and
3. the disposal mandate is for a 12-month period from the passing of the relevant resolution(s) at the EGM.

Basis for determining the minimum selling price

The minimum selling price of RMB7.20 was determined on the basis of the net asset value of CMB for the current year 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. Based on publicly available information, such average rate of return on equity of listed PRC banks was approximately 20%.

The minimum selling price per CMB A Share of RMB7.20 represents:

- a discount of approximately 40.15% to the closing price of RMB12.03 per CMB A Share as quoted on the SSE as at 26 October 2011, the trading day immediately before the date of this announcement; and
- a discount of approximately 33.52% to the lowest closing price of RMB10.83 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. 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 the general market conditions, progress of making new investments and performance of CMB A Shares, IBC A Shares and other investments of the Company in exercising the CMB Disposal Mandate.

Having considered the above factors, the Directors consider that the minimum selling price of RMB7.20 per CMB A Share will allow flexibility for the Directors to accommodate fluctuations in the market conditions in the exercise of the CMB Disposal Mandate, 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. In addition, the Company will form a board committee consisting of two members of the investment committee of the Company to monitor the process of execution of disposal orders, and will require the Investment Manager to report and clear with the board committee after the sales of every 6,000,000 CMB A Shares. 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.

Disposal of CMB A Shares under the 2010 Disposal Mandates

As disclosed in the circular of the Company dated 20 April 2010 in relation to the subscription of rights shares under the rights issue of IBC A Shares (the “**2010 IBC A Rights Issue**”), a waiver was granted by the Stock Exchange to the Company from strict compliance with Rule 21.04(3)(b) of the Listing Rules. The aforesaid waiver was conditional upon, among others, disposal of a minimum of 4,000,000 IBC A Shares by the ex-rights date of the 2010 IBC A Rights Issue and further disposal of IBC A Shares such that the Company’s interests in IBC would no longer exceed 20% of the Company’s net asset value. As disclosed in the circular of the Company dated 26 November 2010 in relation to the 2010 Disposal Mandates, the Company prioritized its efforts to satisfy the aforesaid conditions imposed by the Stock Exchange. In view of the Company’s obligation to achieve a balanced investment portfolio without an excessive cash component, the Company has not disposed of any CMB A Shares under the 2010 Disposal Mandates.

Information about CMB

According to the 2010 annual report of CMB and publicly available information, CMB has over 820 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 2010, 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: taking deposits from the public; granting short, medium and long-term loans; handling settlements; handling bills discounting; issuing financial bonds; acting as agent for the issue and encashment of, underwriting and trading government bonds; engaging in inter-bank lendings and borrowings; providing letters of credit and guarantees services; engaging in agency collections and payments as well as insurance agency business; providing safe deposit box services; taking foreign currency deposits; granting foreign currency loans; providing remittances services; providing foreign exchange services; providing international settlements services; engaging in foreign currency placements; providing foreign currency bills acceptances and discounting services; trading and trading as agent for foreign currency quoted securities except stocks; issuing and issuing as agent for foreign currency quoted securities except stocks; engaging in proprietary trading and trading on behalf of clients in FX; providing credit investigations, advisory and attestation services; engaging in offshore banking business; engaging in credit card business; providing custodial services for securities investment funds, Qualified Foreign Institutional Investors (QFII), corporate annuity funds (including account management services) and Social Security Funds; underwriting short-term commercial papers; trading derivative products; and other businesses approved by the CBRC.

The following sets out a summary of financial information of CMB for the two years ended 31 December 2010 which were prepared under the PRC accounting standards:

	For the year ended 31 December			
	2010		2009	
	(RMB million)	HK\$ million	(RMB million)	HK\$ million
	(audited)	equivalent	(audited)	equivalent
Profit before taxation	33,343	40,892	22,384	27,452
Profit after taxation	25,769	31,603	18,235	22,363
Net asset value	134,006	164,345	92,783	113,789

As at 31 December 2010, the audited consolidated net asset value of CMB amounted to approximately RMB134,006 million (equivalent to approximately HK\$164,345 million) and the audited net asset value per CMB A Share was RMB6.21. The Group held a 0.31% and 0.58% interest of CMB at the financial year end of 2010 and 2009 respectively. The audited net asset value attributable to the CMB A Shares held by the Group was approximately RMB415 million (equivalent to approximately HK\$509 million) as at 31 December 2010. Dividend income received by the Group from CMB amounted to approximately RMB26.29 million (equivalent to approximately HK\$32.24 million) in 2010 and approximately RMB9.38 million (equivalent to approximately HK\$11.50 million) in 2009. The change in fair value on CMB attributable to the Group amounted to loss of approximately US\$39.86 million (equivalent to approximately HK\$310.68 million) in 2010 and gain of approximately US\$144.75 million (equivalent to approximately HK\$1,128.21 million) in 2009 respectively.

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 RMB15.85 and RMB10.83 (equivalent to approximately HK\$19.44 and HK\$13.28) respectively. As at 26 October 2011, the trading day immediately before the date of this announcement, the closing price of CMB A Shares as quoted on the SSE was RMB12.03 (equivalent to approximately HK\$14.75).

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 2010 which was US\$127.33 million (equivalent to approximately HK\$992.44 million) and the minimum selling price of RMB7.20 (equivalent to approximately HK\$8.83), the expected realized accounting loss on the disposal of the CMB Interests is US\$52.75 million (equivalent to approximately HK\$411.14 million).

As at the date of this announcement, the CMB Interests account for approximately 24.11% of the Company's net asset value based on the Company's unaudited consolidated accounts as at 30 September 2011.

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 SUBSCRIPTION

On 9 September 2011, CMB obtained approval by its shareholders to launch the proposed CMB A Rights Issue. The Company proposes to subscribe for the CMB A Rights Shares to which it is entitled under the CMB A Rights Issue in full. Details of the Proposed Subscription, including the background to the Proposed Subscription, the reasons for the Proposed Subscription and the regulatory issues in relation to the Proposed Subscription were set out in the Subscription Announcement.

As one of the Conditions on which the Stock Exchange granted the Waiver to the Company, the Company is required to obtain the Shareholders' approval to subscribe for the CMB A Rights Shares to which it is entitled under the CMB A Rights Issue. An ordinary resolution will be proposed at the EGM for the Shareholders to approve the Proposed Subscription.

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 (including 33,344,000 IBC A Shares received on 9 May 2011 pursuant to the distribution by IBC of bonus shares converted from its capital reserve on the basis of 8 bonus IBC A Shares for every 10 existing 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 the flexibility in disposing of the IBC interests.

After the expiry of the 2010 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 RMB10.00 (equivalent to approximately HK\$12.26) per IBC A Share; and

3. the disposal mandate is for a 12-month period from the passing of the relevant resolution(s) at the EGM.

Basis for determining the minimum selling price

The minimum selling price of RMB10.00 was determined on the basis of the net asset value of IBC for the current year 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. Based on publicly available information, such average rate of return on equity of listed PRC banks was approximately 20%.

The minimum selling price per IBC A Share of RMB10.00 represents:

- a discount of approximately 23.95% to the closing price of RMB13.15 per IBC A Share as quoted on the SSE as at 26 October 2011, the trading day immediately before the date of this announcement; and
- a discount of approximately 16.74% to the lowest closing price of RMB12.01 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. 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 the general market conditions, progress of making new investments and performance of CMB A Shares, IBC A Shares and other investments of the Company in exercising the IBC Disposal Mandate.

Having considered the above factors, the Directors consider that the minimum selling price of RMB10.00 per IBC A Share will allow flexibility for the Directors to accommodate fluctuations in the market conditions in the exercise of the IBC Disposal Mandate, 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. In addition, the Company will form a board committee consisting of two members of the investment committee of the Company to monitor the process of execution of disposal orders, and will require the Investment Manager to report and clear with the board committee after the sales of every 4,000,000 IBC A Shares. 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.

Information about IBC

According to the 2010 annual report of IBC and publicly available information, IBC has over 570 branches and offices throughout the PRC. As at 31 December 2010, IBC had a total share capital of RMB5,992 million, which was then increased to RMB10,786 million after issuance of bonus shares converted from its capital reserve in May 2011. 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 2010 which were prepared under the PRC accounting standards:

	For the year ended 31 December			
	2010		2009	
	(RMB million) (audited)	HK\$ million equivalent	(RMB million) (audited)	HK\$ million equivalent
Profit before taxation	24,005	29,440	17,229	21,130
Profit after taxation	18,521	22,714	13,282	16,289
Net asset value	91,995	112,823	59,597	73,090

As at 31 December 2010, the audited consolidated net asset value of IBC amounted to approximately RMB91,995 million (equivalent to approximately HK\$112,823 million) and the audited net asset value per IBC A Share was RMB8.53 (as adjusted by the distribution by IBC of bonus shares converted from its capital reserve). The Group held a 0.83% and 0.94% interest of IBC at the financial year end of 2010 and 2009 respectively. The audited net asset value attributable to the IBC A Shares held by the Group was approximately RMB764 million (equivalent to approximately HK\$937 million) as at 31 December 2010. Dividend income received by the Group from IBC amounted to approximately RMB21.68 million (equivalent to approximately HK\$26.59 million) in 2010 and RMB23.40 million (equivalent to approximately HK\$28.70 million) in 2009. The change in fair value on IBC attributable to the Group amounted to loss of approximately US\$91.90 million (equivalent to approximately HK\$716.29 million) in 2010 and gain of approximately US\$176.67 million (equivalent to approximately HK\$1,377.00 million) in 2009 respectively.

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 RMB17.49 (adjusted for bonus share issue) and RMB12.01 (equivalent to approximately HK\$21.45 (adjusted for bonus share issue) and HK\$14.73) respectively. As at 26 October 2011, the trading day immediately before the date of this announcement, the closing price of IBC A Shares as quoted on the SSE was RMB13.15 (equivalent to approximately HK\$16.13).

Financial effect of the disposal of IBC Interests

Based on the carrying amount of the IBC Interests as at 31 December 2010 which was US\$89.99 million (equivalent to approximately HK\$701.40 million) and the minimum selling price of RMB10.00 (equivalent to approximately HK\$12.26), the expected realized accounting loss on the disposal of the IBC Interests is US\$19.77 million (equivalent to approximately HK\$154.09million).

As at the date of this announcement, the IBC Interests account for approximately 18.31% of the Company's net asset value based on the Company's unaudited consolidated accounts as at 30 September 2011.

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 2011 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), financial services, culture and media, pharmaceuticals, energy and environmental protection. The Group will also 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.

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 2010 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 and the Proposed Subscription, is expected to be dispatched to the Shareholders on or about 17 November 2011.

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 and the Proposed Subscription 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 10,500,000 CMB A Shares by the ex-rights date of the CMB A Rights Issue and 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

“2010 Disposal Mandates”	the disposal mandates granted to the Directors by the Shareholders at the extraordinary general meeting of the Company held on 13 December 2010 to dispose of up to 65,830,102 CMB A Shares and 49,680,000 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 8 November 2010 and the circular of the Company dated 26 November 2010
“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 2.2 CMB A Rights Shares for every 10 existing CMB A Shares as referred to in the Subscription Announcement
“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 65,830,102 CMB A Shares held by the Company as at the date of this announcement 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 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
“Conditions”	the conditions imposed by the Stock Exchange on the Waiver, the details of which were set out in the Subscription Announcement
“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 and the Proposed Subscription
“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
“Proposed Subscription”	the proposed subscription for CMB A Rights Shares by the Company pursuant to the CMB A Rights Issue
“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
“Subscription Announcement”	the announcement of the Company dated 20 September 2011 in relation to the Proposed Subscription
“Waiver”	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 Subscription Announcement
“US\$”	United States dollars, the lawful currency of United States of America
“%”	per cent

For illustrative purposes in this announcement only, RMB1 = HK\$1.2264, US\$1 = HK\$7.7942 and US\$1 = RMB6.3549

By Order of the Board
ZHOU Linda Lei
Director

Hong Kong, 27 October 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.