



## 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)

### PLACING OF EXISTING SHARES AND SUBSCRIPTION FOR NEW SHARES AND RESUMPTION OF TRADING

Placing Agent



#### PLACING AND SUBSCRIPTION

The Vendor is a substantial shareholder of the Company holding 34,359,760 Shares in the Company, representing approximately 25.05 per cent. of the Company's issued share capital as at the date of this announcement.

On 23 January 2007, the Vendor, the Company and the Placing Agent entered into the Placing and Subscription Agreement. Under the Placing and Subscription Agreement, the Placing Agent will procure, on a fully underwritten basis, purchasers to acquire, and the Vendor will sell, 12,000,000 existing Shares at the Placing Price of HK\$20.40 per Share. There are more than 6 professional, institutional and/or individual placees who are independent of the connected persons of the Company.

The Placing Shares represent approximately 8.75 per cent. of the existing issued share capital of the Company of 137,145,600 Shares and approximately 8.05 per cent. of the Company's issued share capital as enlarged by the Subscription.

After deduction of the commissions and other expenses of the Placing and the Subscription, the aggregate net proceeds of the Placing is approximately HK\$226.82 million, equivalent to the Net Price of HK\$18.90 per Share. The Vendor will subscribe for 12,000,000 new Shares at HK\$18.90 per Share, being the same as the Net Price. The Company intends to apply such net proceeds for possible investment in the future.

The Subscription is conditional upon, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares. The Subscription Shares are proposed to be issued pursuant to the existing general mandate given to the Directors to allot and issue Shares.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 23 January 2007, pending the release of this announcement. Application has been made for the resumption of trading of the Shares on the Stock Exchange at 9:30 a.m. on 24 January 2007.

#### PLACING AND SUBSCRIPTION AGREEMENT DATED 23 JANUARY 2007

##### Parties

- (i) the Vendor, a substantial shareholder of the Company;
- (ii) the Company; and
- (iii) the Placing Agent as the placing agent and underwriter of the Placing.

##### THE PLACING

###### The Placing Shares

12,000,000 Shares of US\$0.10 each to be placed on an underwritten basis by the Placing Agent, representing approximately 8.75 per cent. of the Company's issued share capital as at the date of this announcement, being 137,145,600 ordinary shares of US\$0.10 each.

###### Placing Price

HK\$20.40 per Share. The Placing Price was agreed after arm's length negotiations between the Vendor, the Company and the Placing Agent.

The Placing Price represents (i) a discount of about 4.67 per cent. to the closing price of HK\$21.40 per Share quoted on the Stock Exchange on 22 January 2007; (ii) a premium of 7.20 per cent. to the average closing price of HK\$19.03 per Share as quoted on the Stock Exchange from 16 January 2007 to 22 January 2007, both dates inclusive, being the five trading days immediately preceding the date of the Placing and Subscription Agreement; and (iii) a premium of 10.27 per cent. to the average closing price of HK\$18.50 per Share as quoted on the Stock Exchange from 9 January 2007 to 22 January 2007, being the ten trading days immediately preceding the date of the Placing and Subscription Agreement.

###### The Placees

The Placing Agent has confirmed to the Company that: (i) the Placing Shares will be placed to not less than 6 professional, institutional and/or individual investors; (ii) the placees are not, and will not be immediately after completion of the Placing, a connected person of the Company or any of its subsidiaries or any associate of any of them; (iii) the placees are, and will be immediately after completion of the Placing, independent of and not acting in concert with, any such connected persons in relation to the control of the Company; and (iv) none of the placees will become a substantial shareholder of the Company as a result of the Placing.

###### Independence of the Placing Agent and the Placees

To the best of the Directors' knowledge, having made reasonable enquiry, the Placing Agent and the placees are independent of and not connected with the Vendor. The Placing Agent and its beneficial owners are also independent of and are not connected persons of the Company.

For shareholders' information, BOC Group Investment is a shareholder of the Company, owning 7,200,000 Shares of the Company, representing approximately 5.25% of the issued share capital of the Company as at the date of the announcement. Bank of China Limited is the ultimate beneficial owner of both BOC Group Investment and the Placing Agent, which are the wholly-owned subsidiaries of Bank of China Limited. The chief executive officer and director of BOC Group Investment, Mr. Gong Jianzhong, is also a Non-executive Director of the Company. Save for the above, Mr. Gong does not have any other relationship with the Company.

The Placing Agent was selected among a number of candidates, based on various independent criteria such as the commissions charged, experience, knowledge of the market etc. The Directors believe that the above relationships do not affect the selection of the Placing Agent.

###### Rights attached to the Placing Shares

The Placing Shares will be sold free from all liens, charges and other encumbrances, and together with all rights attaching to the Placing Shares as at the date of the Placing and Subscription Agreement, including the right to receive all dividends and other distributions declared, made or paid on the Placing Shares after the date of the Placing and Subscription Agreement.

###### Conditions of the Placing

Completion of the Placing is conditional upon, inter alia:

- (a) there shall not have occurred prior to completion of the Placing any breach of, or any event rendering untrue or incorrect, in either case, in any material respect, any of the representations, warranties, undertakings or other provisions of the Placing and Subscription Agreement given by the Vendor; and
- (b) no occurrence of certain events including force majeure, any material disruption in securities settlement, payment or clearance service in Hong Kong and any moratorium on commercial banking activities having been declared by Hong Kong authorities, in each case occurring prior to 10:00 a.m. on the Placing Completion Date. For this purpose, such event includes any material adverse change in local, national or international political, economic, fiscal, financial, military, regulatory or stock market conditions.

**If the Placing Agent exercises its right to terminate the Placing, the Placing will not proceed. Shareholders and investors are advised to exercise caution in dealing in the Shares.**

###### Completion of the Placing

The parties expect that the Placing will complete on or around the Placing Completion Date.

Immediately after completion of the Placing, assuming no further Shares are issued by the Company, the shareholding of the Vendor in the Company will be reduced from 34,359,760 Shares to 22,359,760 Shares (representing a reduction from approximately 25.05 per cent. to approximately 16.30 per cent. of the Company's issued share capital as at the date of this announcement).

###### Lock-up

Pursuant to the Placing and Subscription Agreement, the Vendor has agreed that it will not, before the expiry of 6 months from the date of completion of the Placing, allot or issue or offer to allot or issue (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares (except for the Subscription Shares), or agree (conditionally or unconditionally) or announce any intention to enter into or effect any such transaction described above, without first having obtained the written consent of the Placing Agent.

###### THE SUBSCRIPTION

###### The New Shares

12,000,000 new ordinary shares of US\$0.10 each, representing approximately 8.75 per cent. of the Company's issued share capital as at the date of this announcement and approximately 8.05 per cent. of the Company's issued share capital as enlarged by the Subscription, will be subscribed by the Vendor pursuant and subject to the terms of the Placing and Subscription Agreement.

The Vendor presently owns approximately 25.05 per cent. of the existing issued share capital of the Company. Following completion of the Placing but prior to completion of the Subscription, the aggregate shareholdings of the Vendor will be reduced to approximately 16.30 per cent. of the existing share capital of the Company. Following completion of the Placing and the Subscription, the Vendor will own approximately 23.04 per cent. of the issued share capital of the Company as enlarged by the issue of the New Shares.

###### Subscription Price

The Subscription Price is equivalent to the Net Price of HK\$18.90 per Share. The net proceeds after deduction of the commission and other expenses incurred in the Placing and the Subscription (i.e. the total subscription monies payable by the Vendor to the Company) will be approximately HK\$226.82 million.

#### Mandate to issue New Shares

The New Shares will be issued under the general mandate granted by the shareholders of the Company to the Directors at the annual general meeting held on 30 May 2006. Save for the Subscription, this general mandate has not been utilised at all. As at the date of this announcement the Company may issue up to 27,429,120 Shares under the existing general mandate. No Share has been issued or allotted under the general mandate as at the date of this announcement. The Company has not raised any fund on any issue of equity securities in the 12 months immediately preceding this announcement.

#### Ranking of New Shares

The New Shares, when fully paid, will rank equally with the existing Shares in issue as at the date of issue of the New Shares including the right to receive all dividends and distributions which may be declared, made or paid after the date of completion of the Subscription.

#### Conditions of the Subscription

Completion of the Subscription is conditional upon:

- (a) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the New Shares (and such listing and permission not subsequently revoked prior to the delivery of definitive share certificate(s) representing the New Shares); and
- (b) completion of the Placing.

#### Completion of the Subscription

Completion of the Subscription will take place no later than the second business day after the date upon which the last of the conditions to Subscription is satisfied or such other date as the Vendor and the Company may agree, provided that completion will not be later than 6 February 2007.

Immediately after completion of the Subscription, assuming that there is no other issue of Shares by the Company, the shareholding of the Vendor in the Company will be increased from 22,359,760 Shares to 34,359,760 Shares (representing an increase from approximately 16.30 per cent. of the Company's issued share capital as at the date of this announcement to approximately 23.04 per cent. of the Company's issued share capital as enlarged by the Subscription).

#### Application for Listing

Application will be made to the Listing Committee for the granting of the listing of, and permission to deal in, the New Shares.

#### EFFECT OF THE PLACING AND THE SUBSCRIPTION

The shareholdings in the Company as at the date of this announcement and immediately upon completion of the Placing and completion of the Subscription are summarised as follows (Note 1):

	Existing Shares		Immediately after the Placing but before the Subscription		Immediately after the Placing and the Subscription	
	Number of Shares	Percentage	Number of Shares	Percentage	Number of Shares	Percentage
Vendor	34,359,760	25.05	22,359,760	16.30	34,359,760	23.04
Places of the Placing Shares (Note 2)	–	–	12,000,000	8.75	12,000,000	8.05
China Bright Holdings Limited (Note 3)	14,400,000	10.50	14,400,000	10.50	14,400,000	9.65
Public shareholders of the Company	88,385,840	64.45	88,385,840	64.45	88,385,840	59.26
<b>TOTAL</b>	<b>137,145,600</b>	<b>100.00</b>	<b>137,145,600</b>	<b>100.00</b>	<b>149,145,600</b>	<b>100.00</b>

#### Notes:

1. The figures above assume that other than the New Shares, no further Shares are issued or repurchased by the Company and no share options are exercised, and other than the Placing Shares, no Shares are sold or purchased by the Vendor, in each case on or after the date of this announcement and up to the date of the completion of the Placing and the Subscription.
2. Some places of the Placing Shares may be existing shareholders of the Company. Any existing holdings of places are included under "Public shareholders of the Company". However, none of the places will become a substantial shareholder of the Company as a result of the Placing.
3. Mr. Victor Lap-Lik Chu, an Executive Director of the Company, is deemed to have interest in 14,400,000 Shares in which China Bright Holdings Limited is interested.

As at the date of this announcement, the Company does not have issued any instrument convertible into Shares.

#### REASONS FOR THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS

The Directors (including the Independent Non-executive Directors) are of the view that the terms of the Placing and the Subscription, which have been negotiated on an arm's length basis in accordance with normal commercial terms, are fair and reasonable. The Directors consider that the Placing and the Subscription will broaden the shareholder base and the capital base of the Company.

The net proceeds of the Placing and the Subscription amount to approximately HK\$226.82 million. The Company intends to apply such net proceeds for possible investment in the future. As at the date of this announcement, the Company does not have any identified project.

#### RECRUITMENT OF THE THIRD INDEPENDENT NON-EXECUTIVE DIRECTOR

Pursuant to the announcement of the Company dated 2 January 2007, Dr. Poon Kwok Lim, Steven, resigned as an Independent Non-executive Director of the Company with effect from 1 January 2007. Mr. Mok Hay Hoi ceased as Alternate Director to Dr. Poon on the same date. The Company has been identifying a suitable candidate with appropriate qualifications to act as the third Independent Non-executive Director of the Company in order to meet the requirements of Rule 3.10 of the Listing Rules.

#### SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares of the Company on the Stock Exchange was suspended from 9:30 a.m. on 23 January 2007 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. on 24 January 2007.

#### DEFINITIONS

In this announcement the following expressions have the meanings set out below unless the context requires otherwise.

"associate"	has the meaning given to it in the Listing Rules
"BOC Group Investment"	Bank of China Group Investment Limited
"Company"	China Merchants China Direct Investments Limited, a company incorporated under the laws of Hong Kong and the shares of which are listed on the Main Board of the Stock Exchange
"connected person"	has the meaning given to it in the Listing Rules
"Directors"	the directors of the Company
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Net Price"	HK\$18.90 per Placing Share
"New Shares"	12,000,000 new Shares to be subscribed by the Vendor under the Subscription
"Placing"	the conditional placing of the Placing Shares by the Placing Agent pursuant to the Placing and Subscription Agreement
"Placing Agent"	BOCI Asia Limited, a licensed corporation under the SFC licensed to conduct dealing in securities and advising on corporate finance regulated activities
"Placing and Subscription Agreement"	the placing, underwriting and subscription agreement dated 23 January 2007 entered into between the Vendor, the Company and the Placing Agent
"Placing Completion Date"	26 January 2007, being the settlement date in respect of the Placing Shares
"Placing Price"	HK\$20.40 per Placing Share
"Placing Shares"	12,000,000 existing Shares currently owned by the Vendor
"SFO"	the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of US\$0.10 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the conditional subscription by the Vendor of the New Shares pursuant to the Placing and Subscription Agreement
"substantial shareholder"	has the meaning given to it in the Listing Rules
"trading day"	has the meaning given to it in the Listing Rules
"U.S."	the United States of America
"US\$"	US dollars, the lawful currency of the U.S.
"Vendor"	Good Image Limited, a private company incorporated in the British Virgin Islands

By Order of the Board  
**Xie Kuixing**  
Director

Hong Kong, 23 January 2007

As at the date hereof, the Board of Directors of the Company comprises nine Directors, of which five are Executive Directors, namely Dr. FU Yuning, Dr. HUANG Dazhan, Mr. CHU Lap Lik, Victor, Mr. XIE Kuixing and Mr. TSE Yue Kit; and two are Non-executive Directors, namely Mr. WANG Xingdong and Mr. GONG Jianzhong; and two are Independent Non-executive Directors, namely Dr. The Hon. David LI Kwok-po and Mr. KUT Ying Hay. In addition, Ms. KAN Ka Yee, Elizabeth is the Alternate Director to Mr. CHU Lap Lik, Victor, and Mr. LI Kai Cheung, Samson is the Alternate Director to Dr. The Hon. David LI Kwok-po.