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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 120,770,002 CMB A Shares. On 19 October 2009, 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

From 1994 to 1998, the Company acquired certain domestic shares of CMB. The Company's holdings in CMB were converted into CMB A Shares pursuant to CMB's share reform plan in 2006 and were subject to lock-up until early 2008. After the CMB's share reform plan and the Company's various disposals of its holdings in CMB since early 2008, as at the date of this announcement, the Company held 120,770,002 CMB A Shares (i.e. the CMB Interests), representing approximately 0.63% of CMB's issued share capital based on publicly available information.

The CMB Rights Issues

On 13 August 2009 and 28 August 2009, 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 2.5 CMB Rights Shares for every 10 existing CMB Shares; (ii) the gross proceeds of the CMB Rights Issues will be not less than RMB18 billion and not more than RMB22 billion; and (iii) the CMB Rights Shares will not be issued at not less than RMB5.41 per CMB Rights Share (i.e. the Subscription Price Assumption).

Taking into account the maximum gross proceeds of the CMB Rights Issues at RMB22 billion and the Subscription Price Assumption, the maximum allocation basis for the CMB Rights Issues will be 2.13 CMB Rights Shares for every 10 existing CMB Shares (i.e. the Allocation Assumption).

The Subscription

Based on the Allocation Assumption, the Company estimates approximately 25,724,010 CMB A Rights Issue 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 RMB139 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 IBC Interests

Before IBC's listing in Shanghai in early 2007, the Company acquired certain domestic shares of IBC. After IBC's listing, the Company's holdings in IBC were subject to lock-up until early 2008. After the Company's various disposals of its holdings in IBC since early 2008, as at the date of this announcement, the Company held 48,800,000 IBC A Shares (i.e. the IBC Interests), representing approximately 0.98% of IBC's issued share capital based on public available information.

The Disposal Mandates

It has been the Company's known policy to dispose of CMB Interests and IBC Interests in gradual manner. In this connection, the Company has obtained the Disposal Mandates from the Shareholders on 15 December 2008 to authorise the possible disposals of its interests in CMB and IBC. The Company plans to renew the Disposal Mandates and will issue announcement(s) setting out details of the proposed renewal of the Disposal Mandates which would constitute possible very substantial disposals for the Company as soon as practicable.

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 RMB16.90 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 RMB14.88 per CMB A Share. If the Company does not subscribe for any of its CMB A Rights Shares, the Company will suffer a NAV loss of approximately RMB244 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 each of its holdings in CMB and IBC has exceeded 20% of the Company’s NAV as a result of the rapid appreciation in CMB A Shares and IBC A Shares after their respective listings in Shanghai in 2002 and 2007. 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 and IBC A Shares. In 2008, the Company sold 5,945,000 CMB A Shares and 19,200,000 IBC A Shares in open market. In 2009, as at the date of this announcement, the Company sold 24,000,000 CMB A Shares and 16,000,000 IBC A Shares in open market. In this connection, the Company has obtained the Disposal Mandates from the Shareholders on 15 December 2008 to authorise the possible disposals of its interests in CMB and IBC.

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 in 2008 and is expected to make approximately RMB340 million (subject to market conditions and commercial negotiations) in 2009 on new investments.

Circumstances of the Hong Kong Stock Exchange's Waiver

As at the date of this announcement, the CMB Interests account for approximately 39% of the Company's NAV based on the Company's unaudited consolidated accounts as at 30 September 2009. 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 8,500,000 CMB A Shares by the ex-rights date of the CMB A Rights Issue;
- (iii) within 6 months from 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 not exceed 20% of the Company's NAV;
- (iv) 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;
- (v) the Company will hire more investment staff to support its plan for portfolio adjustment;
- (vi) the Company will dispose of its IBC Interests to the extent that its IBC Interests will not exceed 20% of the Company's NAV as soon as possible after late 2010; and
- (vii) 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 Conditions in the Waiver.

The Board believes that Conditions (i) and (vii) 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 (vii).

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 current Disposal Mandates and is not subject to further Shareholders' approval.

The Board believes that Conditions (iii) and (vi) will ensure that the Company will maintain a reasonable spread of investments by disposing of a portion of the CMB Interests and IBC Interests within a reasonable timeframe. Given the imminent nature the CMB A Rights Issue, the Company will prioritise its efforts to satisfy Condition (iii) (the portfolio adjustment of the CMB Interests) and will consider an appropriate timing to satisfy Condition (vi) (the portfolio adjustment of the IBC Interests) with reference to general market conditions, progress of making new investments and performance of CMB A Shares, IBC A Shares and the Company's other investments. While the Company will seek renewal of the Disposal Mandates in relation to both the CMB Interests and IBC Interests at the EGM, the Company expects it will be more focused on the disposal of the CMB Interests in 2010.

The Board believes that Conditions (iv) and (v) will demonstrate the Company's efforts in applying the substantive disposal proceeds to be received from the disposals of the CMB Interests and IBC Interests such that the Company can achieve a reasonable spread of investments as soon as possible.

General Information

As the discloseable transaction requirements would not be applicable to an issuer listed under Chapter 21 of the Listing Rules and each of the applicable size tests ratios of the Subscription is less than 25%, the Subscription would not trigger any implications under Chapter 14 of the Listing Rules. In addition, to the best of the Directors' knowledge, information and belief, having made reasonable enquiry, CMB is not a connected person for the Company under the Listing Rules and the Subscription would not constitute a connected transaction for the Company.

GENERAL

The Company will make further announcement(s) setting out details of the EGM and the proposed renewal of the Disposal Mandates which would constitute possible very substantial disposals for the Company as soon as practicable. It is currently expected that the EGM will be held in or around mid-December 2009 and the Company will issue a Shareholders' circular containing, among others, the notice of the EGM and proxy form, in late November 2009.

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 2.13 CMB Rights Shares for every 10 existing CMB Shares, being the maximum allocation basis for the CMB Rights Issues after taking into account the maximum gross proceeds of the CMB Rights Issues at RMB22 billion and the Subscription Price Assumption
"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 revised proposed rights issue of CMB A Shares on the basis of up to two and a half (2.5) CMB A Rights Shares for every ten (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 2 September 2009 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 revised proposed rights issue of CMB H Shares on the basis of up to two and a half (2.5) CMB H Rights Shares for every ten (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”	120,770,002 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 8,500,000 CMB A Shares to be made by the Company before the ex-rights date of the CMB A Rights Issue

“Disposal Mandates”	the Company’s disposal mandates of its interests in CMB and IBC granted by the Shareholders on 15 December 2008
“EGM”	an extraordinary general meeting of the Company to be held to consider and approve, inter alia, the Subscription in or around mid-December 2009
“Ex-rights Loss”	as described in the paragraph “REASONS FOR THE SUBSCRIPTION” in this announcement
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IBC”	Industrial Bank Co., Ltd, a joint stock company incorporated in the PRC whose A shares are listed on the Shanghai Stock Exchange
“IBC A Shares”	PRC-listed domestic share(s) in the registered capital of IBC
“IBC Interests”	48,800,000 IBC A Shares held by the Company as at the date of this announcement
“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 RMB5.41 per CMB Rights Share, being the minimum subscription price of 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, 21 October 2009

As at the date hereof, the Board of Directors of the Company comprises eight Directors, of which five are Executive Directors, namely Mr. LI Yinquan, Mr. HONG Xiaoyuan, Mr. CHU Lap Lik, Victor, Ms. ZHOU Linda Lei and Mr. TSE Yue Kit; and three are Independent Non-executive Directors, namely Mr. KUT Ying Hay, Mr. WANG Jincheng and Mr. LI Kai Cheong, Samson. In addition, Ms. KAN Ka Yee, Elizabeth is the Alternate Director to Mr. CHU Lap Lik, Victor.