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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

Connected Transaction
Disposal of 10% equity interest in Houlder China Insurance Brokers Limited

SUMMARY

The Board announced that pursuant to the Share Transfer Agreement, the Company shall procure its wholly-owned subsidiary to dispose of its entire 10% equity interest in Houlder to China Merchants Financial.

The consideration payable by China Merchants Financial is US\$625,039 (equivalent to HK\$4,850,303) in cash. China Merchants Financial (a wholly-owned subsidiary of China Merchants Group) currently has an approximately 25% interest in the Company and accordingly, is a connected person under the Listing Rules and the Disposal constitutes a connected transaction for the Company under the Listing Rules. Since each of the applicable percentage ratios (other than the profit ratio) pursuant to Rule 14.07 of the Listing Rules in connection with the Disposal is less than 2.5%, the Disposal is only subject to the reporting and announcement requirements as set out in Rules 14A.45 and 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirements.

THE SHARE TRANSFER AGREEMENT

Date

30 June 2006

Parties

Seller: Company
Purchaser: China Merchants Financial (a connected person of the Company)

Assets to be disposed

10% equity interest in Houlder

Consideration

The consideration payable by China Merchants Financial for the Disposal is US\$625,039 (equivalent to HK\$4,850,303) in cash which was arrived at after arm's length negotiation between China Merchants Financial and the Company with reference to the two most recent transaction prices of the disposal of shares in Houlder by independent third parties of the Company.

Completion

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

INFORMATION ON HOULDER, THE COMPANY, AND CHINA MERCHANTS FINANCIAL

Houlder was established in 2001 in the PRC with the approval of the China Insurance Regulatory Commission. The principal business of Houlder is the provision of insurance broking services including property insurance, life insurance, reinsurance and risk management in the PRC. Before the Disposal, Houlder was owned as to 55% (excluding the Company's interest) by China Merchants Group and its wholly-owned subsidiaries and the remaining 35% by independent third parties.

The audited net profits of Houlder, before and after taxation and extraordinary items, prepared in accordance with the generally accepted accounting principles in the PRC were approximately RMB1.29 million (approximately HK\$1.25 million) and RMB1.12 million (approximately HK\$1.09 million) respectively for the year ended 31 December 2004 and approximately RMB1.46 million (approximately HK\$1.42 million) and RMB1.30 million (approximately HK\$1.26 million) respectively for the year ended 31 December 2005. The audited net assets as at 31 December 2005 was approximately RMB52.49 million (approximately HK\$50.96 million).

The Company is listed on the Stock Exchange under Chapter 21 of the Listing Rules. The principal business of the Company includes investing in the PRC, in particular, unlisted companies and enterprises.

China Merchants Financial, a wholly-owned subsidiary of China Merchants Group, is established in Hong Kong. It is mainly engaged in investment holding.

REASONS FOR THE DISPOSAL

The Board confirms that as an investment company, it is the Company's strategy to free up resources for investment opportunities which are expected to have higher investment potentials. The Directors believe that the Disposal is in line with such investment strategy.

The Board acknowledges that pursuant to Rule 21.04(3)(a) of the Listing Rules, the Company as an investment company shall not on its own or in conjunction with any connected person take legal control (i.e. more than 50% of the voting rights) of an underlying investment. Immediately prior to the Disposal, the Board is aware that the total interest in Houlder held by the Company and its connected persons amounts to 65%. The Company's 10% interest in Houlder has not changed since its acquisition of the interest in 2001. As for China Merchants Group (together with its wholly-owned subsidiaries), its interest in Houlder increased from 45% from the time of its acquisition in 2001, to 55% as at the date of this announcement. Upon completion of the Disposal, the Company will no longer own any interest in Houlder.

The Directors (including the Independent Non-executive Directors) consider that the Disposal is on normal commercial terms and in the ordinary and usual course of business of the Company and the terms of the Disposal are fair and reasonable and in the interest of the Shareholders as a whole. The Company will record a loss of approximately US\$25,782 (equivalent to HK\$200,068) as a result of the Disposal, which represents the difference between the consideration and the net book value of the 10% interest in Houlder. The Company intends to use the sale proceeds to fund future investment opportunities.

CONNECTED TRANSACTION

China Merchants Financial is a connected person of the Company by being a substantial shareholder of the Company. Therefore the Disposal constitutes a connected transaction for the Company under the Listing Rules. Since each of the applicable percentage ratios (other than the profit ratio) pursuant to Rule 14.07 of the Listing Rules in connection with the Disposal is less than 2.5%, the Disposal is only subject to the reporting and announcement requirements as set out in Rules 14A.45 and 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirements.

DEFINITIONS

"Board"	the board of Directors
"Business Day(s)"	a day on which banks are opened for business in Hong Kong (excluding Saturdays, Sundays and public holidays in Hong Kong)
"China Merchants Financial"	China Merchants Financial Services Limited, a limited liability company incorporated in Hong Kong and is a wholly-owned subsidiary of China Merchants Group
"China Merchants Group"	China Merchants Group Limited, a company incorporated in the PRC
"Company"	China Merchants China Direct Investments Limited, a company incorporated in Hong Kong whose shares are listed on the Stock Exchange
"connected person"	has the meaning ascribed to it in the Listing Rules
"Directors"	the Directors of the Company
"Disposal"	the disposal of the 10% equity interest in Houlder from the Company to China Merchants Financial as contemplated under the Share Transfer Agreement
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Houlder"	海達保險經紀有限公司 (Houlder China Insurance Brokers Limited)*, a company incorporated in the PRC
"investment company"	has the meaning ascribed to it under Rule 21.01 of the Listing Rules
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"PRC"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"Share Transfer Agreement"	the share transfer agreement dated 30 June 2006 in relation to the Company's disposal of 10% equity interest in Houlder to China Merchants Financial
"Shareholders"	shareholders of the Company
"substantial shareholder"	has the meaning ascribed to it in the Listing Rules
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US\$"	US dollars, the lawful currency of the United States of America

For reference only, the figures in RMB and US\$ referred to above have been translated into Hong Kong dollars on the basis of an assumed exchange rate of HK\$1.00 = RMB1.03 and US\$1.00 = HK\$7.76.

* For identification purposes only

By order of the Board
Xie Kuixing
Director

As at the date hereof, the Board of Directors of the Company comprises ten 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 three are Independent Non-executive Directors, namely Dr. The Hon. David Li Kwok-po, Mr. Kut Ying Hay and Dr. Poon Kwok Lim, Steven. In addition, Ms. Kan Ka Yee, Elizabeth is the Alternate Director to Mr. Chu Lap Lik, Victor, Mr. Li Kai Cheong, Samson is the Alternate Director to Dr. The Hon. David Li Kwok-po and Mr. Mok Hay Hoi is the Alternate Director to Dr. Poon Kwok Lim, Steven.

Hong Kong, 30 June 2006