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I am meeting the Levin Zhu, the CEO of CICC on 25 Nov in Beijing. He is the son of the former Premier of China.

Global financial services giant Morgan Stanley is yet again looking to sell its entire holdings in China International Capital Corp (CICC), the country's first and most profitable investment bank, sources in both the US-based financial advisor and CICC confirmed yesterday.

On Tuesday, a report in the Wall Street Journal, citing people familiar with the situation, said that Morgan Stanley had asked potential buyers to submit indicative first-round bids for its 34.3-percent stake in CICC.

The deal could fetch more than \$1 billion, it reported.

Two people from the US investment bank and CICC, who did not wish to be identified by name, separately confirmed the news, saying the CICC stake sale was a precursor to Morgan Stanley setting up another local joint venture.

"Chinese regulators won't approve a new joint venture unless it sells the CICC stake," said the sources.

Morgan Stanley is planning to form a joint venture securities firm with Shanghai-based China Fortune Securities Co, in which it can have more management say.

Morgan Stanley was the first foreign investment bank to enter the country in 1995 when it invested \$35 million to form CICC in partnership with State-owned China Construction Bank.

As China's leading investment bank, CICC has specialized in sprucing up State-owned firms ahead of initial public offerings.

Morgan Stanley, however, did not have much influence over CICC's management led by Zhu Yunlai, its president, and had limited role in the operation of the brokerage during the past decade.

The US firm started the process of selling its stake in 2007. Final bidders included several international private-equity firms such as Bain Capital, TPG and a consortium comprising General Atlantic, Starr International and JC Flowers.

But the process came to an end early in 2008 after offers came in below expectations amid the onset of the global credit crisis.

The original offer of more than \$1 billion for the stake had dropped to around \$600 million by the end of the first round, the Financial Times reported, citing people familiar with the situation.

This followed a due-diligence process when bidders discovered that the CICC management was unhappy with the current shareholding arrangement.

Under the structure, the management had been granted non-voting shares that entitled them to paid dividends and could effectively dilute Morgan Stanley's shareholding to around 27 percent.

But a source from CICC said yesterday that this time around, Morgan Stanley was very likely to sell its 34.3-percent stake for \$1 billion as China's booming stock market could add considerable bargaining power on the seller's side.

CICC's net profit dropped 49 percent to 627.4 million yuan (\$91.89 million) last year from 1.24 billion yuan in 2007. Net profit is expected to climb this year amid a rebound in China's capital markets, one of the few bright spots globally. CICC has taken on little debt and has focused on fee income, leaving it with a strong balance sheet.

China's sovereign wealth fund, China Investment Corp, became its largest shareholder with a 43.35-percent stake after inheriting the stake originally held by China Construction Bank. Another sovereign wealth fund, Government of Singapore Investment Corp, holds a 7.35-percent stake.

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