THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Offer Document.

If you are in any doubt as to any aspect of this Offer Document or the Offer, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares, you should at once hand this Offer Document, together with the accompanying form of proxy and Form of Acceptance to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or the transfer was effected for onward transmission to the purchaser(s) or transferee(s).

This document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offer.

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)

VOLUNTARY CONDITIONAL CASH OFFER BY ANGLO CHINESE CORPORATE FINANCE, LIMITED ON BEHALF OF CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED TO REPURCHASE UP TO 7,917,171 SHARES AT A PRICE OF HK$20.94 PER SHARE

Financial Adviser to China Merchants China Direct Investments Limited

ANGLO CHINESE
CORPORATE FINANCE, LIMITED
英高

Independent Financial Adviser to the Independent Board Committee and the Shareholders

ALTUS CAPITAL LIMITED

A letter from the Board is set out on pages 5 to 17 of this Offer Document. A letter from Anglo Chinese containing, among other things, details of the terms of the Offer is set out on pages 18 to 25 of this Offer Document. A letter from the Independent Board Committee to the Shareholders is set out on pages 26 to 27 of this Offer Document. A letter from Altus Capital containing its opinion and advice to the Independent Board Committee and the Shareholders is set out on pages 28 to 42 of this Offer Document.

Custodians, nominees and trustees who would, or otherwise intend to, forward this Offer Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong should read carefully the paragraph headed "Overseas Shareholders" in the letter from Anglo Chinese and in Appendix I to this Offer Document.

A notice convening the EGM to be held at JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong, on Friday, 7 June, 2013 at 3:00 p.m. is set out on pages EGM-1 to EGM-3 of this Offer Document. A form of proxy for use at the EGM is enclosed herein. Whether or not you intend to attend and vote at the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as practicable but in any event not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting (as the case may be). Such form of proxy for use at the EGM is also published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cmcdi.com.hk). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or at any adjourned meeting (as the case may be) in person should you so wish.

13 May, 2013

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The timetable set out below is indicative only and is subject to change. It does not form part of the terms of the Offer and any changes thereto will be announced by the Company.

Offer Period begins	Thursday, 25 April, 2013
Despatch of this Offer Document	Thursday, 16 May, 2013
Latest time to lodge form of proxy for the EGM	3:00 p.m. on Wednesday, 5 June, 2013
EGM	3:00 p.m. on Friday, 7 June, 2013
Announcement of the results of the EGM and whether the Offer has become unconditional or has lapsed	Friday, 7 June, 2013
Last day of dealings in the Shares cum the Offer *(Note 1)*	Wednesday, 19 June, 2013
Latest time to lodge the Form of Acceptance *(Note 2)*	4:00 p.m. on Friday, 21 June, 2013
Record Date	Friday, 21 June, 2013
Final Closing Date	Friday, 21 June, 2013
Announcement of the results of the Offer	no later than 7:00 p.m. on Friday, 21 June, 2013
Latest date for despatch of cheques to the accepting Qualifying Shareholders and (if applicable) despatch of Share certificate for those Shares tendered but not repurchased under the Offer *(Note 3)*	Wednesday, 3 July, 2013

Notes:

1. Dealings in the Shares after 19 June, 2013 will not be settled under the rules of the Stock Exchange prior to the Record Date.

2. Assuming that the Offer is approved by the Shareholders at the EGM and the Offer becomes unconditional, the Offer will remain open for acceptance for a period of 14 days thereafter and will not be extended.

3. Remittances for the total amounts due to the accepting Qualifying Shareholders under the Offer (subject to deduction of seller's ad valorem stamp duty payable on the Shares repurchased from such accepting Qualifying Shareholders) are required be made by the Company within 7 business days of the close of the Offer.

All references to date and time contained in this Offer Document refer to Hong Kong time.

In this Offer Document, unless the context otherwise requires, the following expressions have the following meanings:

"acting in concert"	has the meaning ascribed thereto under the Takeovers Code
"Altus Capital" or "Independent Financial Adviser"	Altus Capital Limited, a corporation licensed to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Shareholders in respect of the Offer
"Anglo Chinese"	Anglo Chinese Corporate Finance, Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, and the financial adviser to the Company in respect of the Offer
"Announcement"	the announcement dated 25 April, 2013 issued by the Company in respect of the Offer
"associate(s)"	has the meaning ascribed to it under the Takeovers Code
"Assured Entitlement(s)"	the minimum number of Shares, which will be entitled to be sold to the Company pursuant to the Offer by each Qualifying Shareholder, being 5% of each Qualifying Shareholder's holding of Shares on the Record Date (to be rounded down to the nearest whole number of Share)
"Board"	the board of Directors
"CCASS"	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
"CMFH"	China Merchants Finance Holdings Company Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of China Merchants Group Limited
"Codes"	the Takeovers Code and the Repurchases Code
"Company"	China Merchants China Direct Investments Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 133)

"Conditions"	the conditions to which the Offer is subject as set out under the paragraph headed "Conditions to the Offer" in the letter from Anglo Chinese contained in this Offer Document
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held at JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong, on Friday, 7 June, 2013 at 3:00 p.m. (or at any adjournment thereof) to consider and, if thought fit, approve the Offer
"Excess Number of Shares"	the number of Shares tendered for acceptance of the Offer by the relevant accepting Qualifying Shareholder which is in excess of his/her/its Assured Entitlement
"Excluded Shareholder(s)"	subject to the prior consent of the Executive, Overseas Shareholder(s), if any, whose address(es), as shown on the register of members of the Company as at the Latest Practicable Date, is/are outside Hong Kong and located in a jurisdiction the laws of which may prohibit the making of the Offer to such Shareholder(s) or otherwise require the Company to comply with additional requirements which are (in the opinion of the Directors, but subject to the prior consent of the Executive) unduly onerous or burdensome, having regard to the number of Shareholders involved in that jurisdiction and their shareholdings in the Company
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of delegate of the Executive Director
"Final Closing Date"	21 June, 2013, being the date on which the Offer closes for acceptance
"Form(s) of Acceptance"	the form of acceptance for use by the Qualifying Shareholders to accept the Offer
"Group"	the Company and its subsidiaries from time to time
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Independent Board Committee"	an independent board committee of the Board, comprising the non-executive Director, Mr. KE Shifeng, and all the independent non-executive Directors who have no interest in the Offer, namely Mr. LIU Baojie, Mr. XIE Tao, Mr. ZHU Li and Mr. TSANG Wah Kwong, which has been established to advise the Shareholders in respect of the Offer
"Last Trading Day"	24 April, 2013, being the last full trading day of the Shares on the Stock Exchange prior to the publication of the Announcement
"Latest Acceptance Time"	the latest time for receipt by the Registrar of the Forms of Acceptance submitted by the Qualifying Shareholders, being 4:00 p.m. on Friday, 21 June, 2013, or such later date as the Company may announce in accordance with the requirements of the Codes
"Latest Practicable Date"	13 May, 2013, being the latest practicable date prior to the despatch of this Offer Document for the purpose of ascertaining certain information contained in this Offer Document
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Offer"	the proposed voluntary conditional cash offer to be made by Anglo Chinese on behalf of the Company to repurchase up to 7,917,171 Shares from the Qualifying Shareholders at the Offer Price, subject to the terms and conditions set out in this Offer Document
"Offer Document"	this document which contains, amongst other things, the terms of the Offer and the notice of the EGM together with the form of proxy and, for the Qualifying Shareholders only, the Form of Acceptance
"Offer Period"	has the meaning ascribed thereto under the Codes and commencing from the date of the Announcement
"Offer Price"	HK$20.94 per Share
"Overseas Shareholder(s)"	Shareholder(s) whose address(es) as shown in the Register as at the Latest Practicable Date is or are outside Hong Kong
"PRC"	the People's Republic of China, and for the purpose of this Offer Document, excluding Hong Kong, Macau and Taiwan
"Qualifying Shareholder(s)"	Shareholder(s), other than the Excluded Shareholder(s), whose name(s) appear(s) on the Register on the Record Date

"Record Date"	the record date for the Offer which will be on 21 June, 2013
"Register"	the register of members of the Company
"Registrar"	Computershare Hong Kong Investor Services Limited, being the share registrar and transfer office of the Company, whose address is situated at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
"Relevant Period"	the period from 25 October, 2012, being the date falling six months before the date of the Announcement, up to and including the Latest Practicable Date
"Repurchases Code"	the Code on Share Repurchases of Hong Kong
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of US$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Surplus Shares"	being 7,917,171 Shares less the aggregate number of Shares in respect of which the Offer is accepted by the accepting Qualifying Shareholders under their respective Assured Entitlements
"Takeovers Code"	the Code on Takeovers and Mergers of Hong Kong
"Title Document(s)"	the relevant Share certificate(s) and/or transfer receipt(s) and/or any document(s) of title with respect to the ownership of the Share(s) (and/or any satisfactory indemnity or indemnities required in respect thereof)
"US$" or "US dollar"	United States dollars, the lawful currency of the United States of America
"%"	per cent

For illustrative purposes in this document only, US$1 = HK$7.7631.

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)

Registered office:
1803 China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Executive Directors:
Mr. LI Yinquan *(Chairman)*
Mr. HONG Xiaoyuan
Mr. CHU Lap Lik, Victor
Ms. ZHOU Linda Lei
Mr. TSE Yue Kit
Ms. KAN Ka Yee, Elizabeth
(Alternate to Mr. CHU Lap Lik, Victor)

Non-executive Director:
Mr. KE Shifeng

Independent Non-executive Directors:
Mr. LIU Baojie
Mr. XIE Tao
Mr. ZHU Li
Mr. TSANG Wah Kwong

13 May, 2013

To the Shareholders

Dear Sir or Madam,

PROPOSED VOLUNTARY CONDITIONAL CASH OFFER BY ANGLO CHINESE CORPORATE FINANCE, LIMITED ON BEHALF OF CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED TO REPURCHASE UP TO 7,917,171 SHARES AT A PRICE OF HK$20.94 PER SHARE

INTRODUCTION

On 25 April, 2013, the Board announced that a voluntary conditional cash offer would be made by Anglo Chinese on behalf of the Company in compliance with the Repurchases Code, subject to fulfilment of the Conditions, to repurchase for cancellation up to 7,917,171 Shares, representing approximately 5% of the entire issued share capital of the Company as at the Latest Practicable Date.

The Qualifying Shareholders may accept the Offer by lodging the Forms of Acceptance for the sale of their Shares to the Company at the Offer Price of HK$20.94 per Share.

The Offer is subject to the Conditions including, among other things, the approval of the Offer by the Shareholders at the EGM by way of poll.

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee comprising the non-executive Director, Mr. KE Shifeng, and all the independent non-executive Directors, namely Mr. LIU Baojie, Mr. XIE Tao, Mr. ZHU Li and Mr. TSANG Wah Kwong, has been established by the Board to advise the Shareholders on the terms of the Offer. Altus Capital has been appointed as the independent financial adviser by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee and the Shareholders in this regard.

The purpose of this Offer Document is to provide you with, among other things, (i) detailed information relating to the Offer; (ii) a letter of recommendation from the Independent Board Committee to the Shareholders regarding the terms of the Offer; (iii) a letter of advice from Altus Capital to the Independent Board Committee and the Shareholders regarding the terms of the Offer; (iv) other information as required under the Codes and the Listing Rules; and (v) a notice of the EGM.

The Form of Acceptance accompanying this Offer Document is for use only by the Qualifying Shareholders who wish to accept the Offer.

THE OFFER

As disclosed in the Announcement, a voluntary conditional cash offer is being made by Anglo Chinese on behalf of the Company to repurchase up to 7,917,171 Shares, representing approximately 5% of the entire issued share capital of the Company as at the Latest Practicable Date from the Qualifying Shareholders on the following basis:

For each Share .... HK$20.94

The Shares to be repurchased under the Offer shall be free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and will be repurchased together with all rights attaching thereto on or after the Final Closing Date. The accepting Qualifying Shareholders whose names are on the register of members on 23 May, 2013 will be entitled to the final dividend in respect of the year ended 31 December, 2012 expected to be paid on or about 31 July, 2013, which will be available in cash with an option to receive new, fully paid Shares in lieu of cash irrespective of the Offer. **Qualifying Shareholders are reminded that the Offer will not be made available in respect of the new Shares to be issued for scrip dividend, such that they will not be able to accept the Offer in respect of the new Shares to be issued for such scrip dividend**.

All Shares repurchased under the Offer will be cancelled.

CONDITIONS TO THE OFFER

The Offer is subject to the following conditions being fulfilled:

(a) the passing of an ordinary resolution by the Shareholders approving the Offer and the transactions contemplated thereunder at the EGM by way of poll; and

(b) the compliance by the Company with all legal and other requirements under the Listing Rules, the Codes and the laws of Hong Kong applicable to the Offer and the transactions contemplated thereunder (provided that the circumstances which give rise to the Company's right to invoke this condition for the Offer not becoming unconditional shall be of material significance to the Company in the context of the Offer.)

None of the above conditions can be waived. If any of the above conditions cannot be fulfilled by the date of the EGM, the Offer will lapse.

As at the Latest Practicable Date, the Conditions had not yet been fulfilled.

Acceptances by the Qualifying Shareholders under the Offer will be irrevocable and cannot be withdrawn after the Offer becomes unconditional except as otherwise decided by the Executive pursuant to the Codes. For the avoidance of doubt, Qualifying Shareholders will be entitled to revoke and withdraw their acceptances tendered prior to the date on which the Offer should become unconditional, being the date of the EGM at which the relevant resolution to approve the Offer will be proposed.

The Offer is not conditional on any minimum number of Shares being tendered for acceptance.

Whether or not the Qualifying Shareholders wish to accept the Offer, they may approve the Offer AND specify the number of the Shares in respect of which they approve the Offer at the EGM.

UNDERTAKING IN RELATION TO THE OFFER

CMFH, which indirectly owned 42,604,015 Shares representing approximately 26.91% of the issued share capital of the Company as at the Latest Practicable Date, had irrevocably undertaken to the Company that it will procure its relevant subsidiaries holding such Shares to (i) accept the Assured Entitlement in respect of those Shares, and (ii) not to acquire further Shares or sell, transfer or otherwise dispose of any Shares held by such subsidiaries (other than pursuant to the Offer) prior to the closing or lapse or termination of the Offer, as the case may be.

Save as disclosed above, as at the Latest Practicable Date, no other person had irrevocably committed to accept or reject the Offer.

THE OFFER PRICE

The Offer Price, being HK$20.94 per Share, represents:

i. a premium of approximately 97.55% over the closing price of HK$10.60 per Share as quoted on the Stock Exchange on the Last Trading Day;

ii. a premium of approximately 98.67% over the average closing price of HK$10.54 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;

iii. a premium of approximately 98.86% over the average of the closing prices of HK$10.53 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;

iv. a premium of approximately 84.66% over the average of the closing prices of HK$11.34 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;

v. a premium of approximately 74.50% over the closing price of HK$12.00 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

vi. a discount of approximately 10.70% to the audited consolidated net asset value of the Group attributable to the Shareholders of approximately HK$23.45 per Share as at 31 December, 2012; and

vii. a discount of approximately 10.01% to the unaudited consolidated net asset value of the Group of approximately HK$23.27 per Share as at 31 March, 2013.

As at the Latest Practicable Date, the Company had 158,343,417 Shares in issue. The Offer for 7,917,171 Shares is being valued at HK$165,785,561 based on the Offer Price of HK$20.94 per Share. On the basis of the Offer Price of HK$20.94 per Share, the entire issued share capital of the Company is valued at HK$3,315,711,152.

CHANGES IN SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, the Company had 158,343,417 Shares in issue. The table below shows the shareholding structure of the Company as at the Latest Practicable Date and the possible changes upon completion of the Offer, on the basis of public information available to the Company as at the Latest Practicable Date and with the assumptions as described below:

	As at the Latest Practicable Date		As at completion of the Offer (assuming only CMFH and its associates, and the associates of Mr. CHU accept their Assured Entitlements in full)		As at completion of the Offer (assuming full acceptance of the Offer by the Qualifying Shareholders in respect of their Assured Entitlements)	
	(Shares)	*%*	*(Shares)*	*%*	*(Shares)*	*%*
CMFH and its associates	42,604,015	26.91%	40,473,814	25.94%	40,473,814	26.91%
The associates of Mr. Victor Lap-Lik CHU ("**Mr. CHU**"), a director of the Company	3,224,000	2.04%	3,062,800	1.96%	3,062,800	2.04%
Lazard Asset Management LLC	32,972,945	20.82%	32,972,945	21.13%	31,324,298	20.82%
Other Shareholders	79,542,457	50.23%	79,542,457	50.97%	75,565,334	50.23%
Total	158,343,417	100%	156,052,016	100%	150,426,246	100%

It is anticipated that no Shareholder together with persons acting in concert with it will, as a result of the cancellation of Shares to be repurchased by the Company under the Offer, come to hold 30% or more of the voting capital of the Company. Accordingly the Offer will not result in a change of control (as defined under the Takeovers Code) of the Company for the purpose of the Takeovers Code.

Save as disclosed above, none of the Directors or the Company or persons acting in concert with any of them owns, controls or directs any Shares or rights over Shares. The Directors confirm that, as at the Latest Practicable Date, (i) there is no arrangement as referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the Shares which might be material to the Offer; and (ii) there is no agreement or arrangement to which the Company or any parties acting in concert with it is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer.

Save for the undertaking to accept the Offer by CMFH (as more particularly described in the paragraph headed "Undertaking in relation to the Offer" above), as at the Latest Practicable Date there was no existing holding of voting rights and rights over Shares in respect of which the Company or any person acting in concert with it received an irrevocable commitment to accept the Offer. As at the Latest Practicable Date, the associates of Mr. CHU had indicated they intended to accept the Offer for at least the amount of its Assured Entitlement. Notwithstanding reasonable enquiries having been made by the Board, as at the Latest Practicable Date, the Board was unable to ascertain the intention of Lazard Asset Management LLC in respect of whether to accept the Offer for at least the amount of its Assured Entitlement. As at the Latest Practicable Date, there were no existing holding of voting rights and rights over Shares in respect of which the Company or any person acting in concert with it held convertible securities, warrants or options.

As at the Latest Practicable Date, there is no outstanding derivative in respect of securities in the Company entered into by the Company or any person acting in concert with it. No Shares or securities carrying conversion or subscription rights into Shares or any options or derivatives in respect of the Shares had been lent or borrowed by the Company or by any person acting in concert with it as at the Latest Practicable Date.

CMFH and Victor Chu China Investment Limited (which is majority owned by Mr. CHU) respectively own 55% and 45% of the share capital of China Merchants China Investment Management Limited, which under an investment management agreement provides investment management services to the Company.

INFORMATION ON THE GROUP

The Company is an investment company, the Shares of which are listed on the Main Board of the Stock Exchange under Chapter 21 of the Listing Rules. The Company specialises 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.

The following table sets out a summary of the audited consolidated results of the Group for each of the two years ended 31 December, 2011 and 2012, denominated in US$:

	For the year ended 31 December	
	2011	**2012**
	US$	*US$*
	(audited)	*(audited)*
Profit (loss) before taxation	(17,620,151)	24,286,925
Profit (loss) attributable to Shareholders	(19,827,630)	9,883,248

	As at 31 December	
	2011	**2012**
	US$	*US$*
	(audited)	*(audited)*
Net asset value	476,910,516	478,402,362
Net asset value per Share	3.148	3.021

REASONS FOR THE OFFER

Over the recent years, the Shares have been trading at a substantial discount to the net asset value per Share. Based on the consolidated financial statements of the Group, the audited consolidated equity attributable to owners of the Company per Share was approximately US$3.021 (HK$23.45) as at 31 December, 2012 and the unaudited consolidated equity attributable to owners of the Company per Share was approximately US$2.998 (HK$23.27) as at 31 March, 2013. However, the Shares were traded at the prices ranging from HK$9.64 to HK$14.02 over the past twelve months up to the Latest Practicable Date, representing discounts ranging from approximately 58.57% to 39.75% to the unaudited consolidated net asset value per Share as at 31 March, 2013.

As at 31 March, 2013, the Group had bank balances and cash of over US$75 million (approximately HK$582.23 million). The Directors (except for the members of the Independent Board Committee, the opinion of which after taking into consideration the advice of the Independent Financial Adviser is included in the "Letter from the Independent Board Committee" section of this Offer Document) consider that the terms of the Offer (including the Offer Price) are fair and reasonable and it would be in the interests of both the Company and the Shareholders to return part of the surplus fund to the Qualifying Shareholders by way of the Offer since it will:

(a) enhance the consolidated net asset value per Share and earnings per Share;

(b) provide opportunities for those Qualifying Shareholders who wish to realise part of their investments in the Company at a premium over the market price of the Shares without having to incur the brokerage fees, transaction levies and trading fees which are customarily payable when disposing of Shares in the open market; and

(c) provide opportunities for those Qualifying Shareholders who wish to retain their holdings and participate in the future prospects of the Group to increase their proportionate interests in the Company with enhanced net asset value per Share and future earnings attributable to each Share held by them after completion of the Offer.

Further, the Board considers that a share repurchase by way of general offer is a fair way to enable all Shareholders to participate equally in the programme of repurchasing Shares by the Company.

FINANCIAL EFFECTS OF THE OFFER

The following financial information is extracted from the unaudited pro forma financial information of the Group as set out in Appendix III to this Offer Document.

(i) Net asset value

Based on the unaudited pro forma financial information of the Group as set out in Appendix III to this Offer Document, upon completion of the Offer (assuming full acceptance of the Offer and 7,917,171 Shares had been repurchased on 31 December, 2012, for a total consideration of HK$165,785,561, approximately US$21,355,587), the adjusted unaudited pro forma consolidated net assets of the Group attributable to owners of the Company is expected to be as follows:

	Immediately before completion of the Offer *US$*	**Immediately following completion of the Offer (assuming full acceptance of the Offer by the Qualifying Shareholders in respect of their Assured Entitlements)** *US$*
Consolidated net assets of the Group attributable to owners of the Company as at 31 December, 2012	478,402,362	478,402,362
Less: Cash consideration and estimated expenses of the Offer (including the total consideration of the Offer and the estimated related expenses)		21,748,523
Adjusted consolidated net assets of the Group attributable to owners of the Company		456,653,839
Number of Shares in issue	158,343,417	150,426,246
Adjusted unaudited consolidated net asset value per Share	US$3.021 HK$23.45	US$3.036 HK$23.57

Assuming full acceptance of the Offer by the Qualifying Shareholders in respect of their Assured Entitlements, at the Offer Price of HK$20.94 per Share, the Offer will involve cash payment by the Company of a total of approximately HK$165.80 million. Taking into account the estimated related expenses of approximately HK$3.05 million to be incurred in connection with the Offer, the adjusted unaudited consolidated net asset value of the Group attributable to owners of the Company is expected to be reduced by HK$168.85 million. Since the Offer Price is lower than the adjusted unaudited consolidated net asset value per Share at 31 December 2012, on the basis of the figures above. The Offer would therefore increase the adjusted unaudited consolidated net asset per Share from approximately HK$23.45 to HK$23.57 per Share assuming full acceptance of the Offer for 7,917,171 Shares.

(ii) **Basic and diluted earnings per Share**

Based on the unaudited pro forma financial information of the Group as set out in Appendix III to this Offer Document, the unaudited pro forma consolidated profit attributable to owners of the Company for the year ended 31 December, 2012 (assuming full acceptance of the Offer and 7,917,171 Shares had been repurchased on 1 January, 2012) is expected to be as follows:

	Immediately before completion of the Offer *US$*	**Immediately following completion of the Offer (assuming full acceptance of the Offer by the Qualifying Shareholders in respect of their Assured Entitlements)** *US$*
Consolidated profit attributable to owners of the Company for the year ended 31 December, 2012	9,883,248	9,441,194
Weighted average number of Shares in issue	154,350,861	146,433,690
Basic and adjusted earnings per Share	US$0.0640 HK$0.4968	US$0.0645 HK$0.5007

The basic and diluted earnings per Share will increase from HK$0.4968 to HK$0.5007 assuming full acceptance of the Offer for 7,917,171 Shares.

(iii) **Liabilities**

As at 31 March, 2013, the Group had no bank overdraft or loans or other similar indentures, mortgages, charges or guarantees or other material contingent liabilities. The consideration under the Offer and related costs will be paid out of the existing cash resources of the Group. The Board considers that the Offer will have no material adverse effect on the Group's liabilities.

(iv) **Working capital**

As at 31 March, 2013, the Group had cash and cash equivalents of approximately HK$582.23 million. Assuming full acceptance of the Offer for 7,917,171 Shares, the total estimated cash payment of the Offer and the total estimated related expenses in relation to the Offer will be approximately HK$165.80 million and approximately HK$3.05 million respectively. Accordingly, the Offer (assuming full acceptance of the Offer for 7,917,171 Shares) will reduce the working capital available to the Group by up to approximately HK$168.85 million.

As at 31 March, 2013, the Group's net current assets (being current assets less current liabilities) was approximately HK$2,168.80 million. The Offer (assuming full acceptance of the Offer for 7,917,171 Shares) will reduce the net current assets of the Group from approximately HK$2,168.80 million to HK$1,999.95 million.

The Directors are of the view that the implementation of the Offer will not have material adverse effect on the working capital of the Group. The Directors confirm that the Group will have sufficient working capital to meet its normal operating requirement after completion of the Offer.

INTENTION OF THE COMPANY

It is the intention of the Company to maintain the listing of the Shares on the Stock Exchange. As at the Latest Practicable Date, the Company had a public float of not less than 25% of the entire issued share capital of the Company. Assuming full acceptances of the Offer by all the Qualifying Shareholders, the Company will have a public float of not less than 25% of the entire issued share capital of the Company immediately following the completion of the Offer and accordingly the number of Shares in public hands will continue to meet the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules.

Following the close or lapse of the Offer, as the case may be, the Company intends to continue with the existing businesses of the Group. The Company does not intend to introduce any major changes by reason only of the Offer to the existing operations and management structure of the Group including the continued employment of an employee of the Group and the redeployment of the fixed assets of the Group.

RECOMMENDATION OF THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising the non-executive Director, Mr. KE Shifeng, and all the independent non-executive Directors who have no interest in the Offer, namely Mr. LIU Baojie, Mr. XIE Tao, Mr. ZHU Li and Mr. TSANG Wah Kwong, has been established to advise the Shareholders on the terms of the Offer. Altus Capital has been appointed as the independent financial adviser by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee and the Shareholders in this regard.

Your attention is drawn to the letter of recommendation from the Independent Board Committee as set out on pages 26 to 27 of this Offer Document. Your attention is also drawn to the letter of advice from Altus Capital as set out on pages 28 to 42 of this Offer Document which contains, among other things, its advice to the Independent Board Committee and the Shareholders as to whether the terms of the Offer are fair and reasonable, as to voting on the Offer and as to acceptance of the Offer, and the principal factors and reasons considered by it in arriving at such advice.

Altus Capital, the independent financial adviser, is of the opinion that the terms of the Offer are fair and reasonable so far as the Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, Altus Capital advises the Independent Board Committee to recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM approving the Offer and to accept the Offer.

Having considered the factors and reasons considered by, and the opinion of, Altus Capital as stated in its letter of advice, the Independent Board Committee is of the opinion that the terms of the Offer are fair and reasonable so far as the Shareholders are concerned and that the Offer are in the interests of the Company and the Shareholders as a whole. The Independent Board Committee therefore recommends the Shareholders to vote in favour of the proposed resolution to approve the Offer at the EGM. The Independent Board Committee also concurs with the advice of Altus Capital and recommends the Shareholders to accept the Offer.

RECOMMENDATION OF THE BOARD

Taking into account the letter from the Independent Board Committee and all other factors as stated above as a whole, the Board is of the opinion that the terms of the Offer are fair and reasonable so far as the Shareholders are concerned. The Board therefore recommends the Shareholders vote in favour of the ordinary resolution to be proposed at the EGM approving the Offer and to accept the Offer.

GENERAL

Your attention is also drawn to the terms of the Offer as set out in Appendix I to this Offer Document and the financial and other information as set out in the appendices to this Offer Document.

Shareholders are advised to consider the detailed terms of the Offer and read, among other things, the letter of recommendation from the Independent Board Committee and the letter of advice from Altus Capital contained in this Offer Document before deciding whether to vote for or against the resolution in respect of the Offer to be proposed at the EGM. Shareholders should also note that their voting decision on the resolution to be proposed at the EGM relating to the Offer shall not affect their investment decision as to whether to accept the Offer or not. If the Shareholders are in any doubt as to any aspect of the Offer or as to the action to take, they should seek independent professional advice.

EGM

The Offer is conditional upon, among other things, the passing of the ordinary resolution by way of a poll to approve the Offer, either voting in person or by proxy, at the EGM.

The EGM will be convened at JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Friday, 7 June, 2013 at 3:00 p.m. to consider and, if thought fit, approve the proposed resolution in connection with the Offer.

A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this Offer Document and a form of proxy for use at the EGM is also enclosed. Whether or not you intend to attend the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Registrar not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting (as the case may be). Such form of proxy for use at the EGM is also published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://www.cmcdi.com.hk). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or at any adjourned meeting (as the case may be) in person should you so wish.

In accordance with the requirements of Rule 2.9 of the Takeovers Code and Rule 13.39(4) of the Listing Rules, the votes for the resolution by the Shareholders at the EGM must be taken by poll.

CMFH, which indirectly owned 42,604,015 Shares representing approximately 26.91% of the issued share capital of the Company as at the Latest Practicable Date, has confirmed that it intends to procure its subsidiaries holding those Shares to vote for the Offer at the EGM. As at the Latest Practicable Date, no other Shareholder had irrevocably committed to vote for or against the Offer at the EGM.

Shareholders should note that even if they vote in favour of the resolution to be proposed at the EGM, they are free nonetheless to accept or not to accept the Offer.

WARNING

The Offer is conditional upon, among other things, the passing of the ordinary resolution by the Shareholders to approve the Offer at the EGM by way of poll. If the Offer is not approved by the Shareholders at the EGM, the Offer will lapse.

Dealings in the Shares will continue even in the event the Offer has not yet become unconditional. During such period, persons dealing in the Shares will bear the risk that the Offer may lapse.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Yours faithfully,
For and on behalf of
China Merchants China Direct Investments Limited
ZHOU Linda Lei
Director

ANGLO CHINESE
CORPORATE FINANCE, LIMITED
40th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.
www.anglochinesegroup.com
英高財務顧問有限公司

13 May, 2013

To the Shareholders

Dear Sir or Madam,

PROPOSED VOLUNTARY CONDITIONAL CASH OFFER BY ANGLO CHINESE CORPORATE FINANCE, LIMITED ON BEHALF OF CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED TO REPURCHASE UP TO 7,917,171 SHARES AT A PRICE OF HK$20.94 PER SHARE

INTRODUCTION

We, Anglo Chinese Corporate Finance, Limited, act as financial adviser to the Company in respect of the Offer. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as defined in the Offer Document.

On 25 April, 2013, the Board announced that a conditional voluntary offer would be made by Anglo Chinese on behalf of the Company in compliance with the Repurchases Code, subject to fulfilment of the Conditions, to repurchase for cancellation up to 7,917,171 Shares, representing approximately 5% of the entire issued share capital of the Company as at the Latest Practicable Date. The Qualifying Shareholders may accept the Offer by lodging the Forms of Acceptance for the sale of their Shares to the Company at the Offer Price of HK$20.94 per Share.

The Shares to be repurchased by the Company will not exceed 7,917,171 Shares. There is no minimum number of Shares proposed to be repurchased under the Offer.

This letter sets out the details of the terms of the Offer. Further details of the terms and conditions of the Offer are set out in Appendix I to the Offer Document and the accompanying Form of Acceptance.

THE OFFER

Principal terms of the Offer

As disclosed in the Announcement, a proposed voluntary conditional cash offer is being made by Anglo Chinese on behalf of the Company to repurchase up to 7,917,171 Shares, representing approximately 5% of the entire issued share capital of the Company as at the Latest Practicable Date, from the Qualifying Shareholders on the following basis:

For each Share..**HK$20.94**

The Shares to be repurchased under the Offer shall be fully paid, free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and will be repurchased together with all rights attaching thereto on or after the Final Closing Date. The accepting Qualifying Shareholders whose names are on the register of members on 23 May, 2013 will be entitled to the final dividend in respect of the year ended 31 December, 2012 expected to be paid on or about 31 July, 2013, which will be available in cash with an option to receive new, fully paid Shares in lieu of cash irrespective of the Offer. As such, the Offer will not be made available in respect of the new Shares to be issued for scrip dividend, such that the Qualifying Shareholders will not be able to accept the Offer in respect of the new Shares to be issued for such scrip dividend.

The Offer is made in full compliance with the Repurchases Code and the maximum amount payable by the Company in cash under the Offer is approximately HK$165.80 million, which will be financed by internal resources of the Group. We confirm that sufficient financial resources are available to the Company to enable it to satisfy acceptances of the Offer in full.

The Offer will not be extended or revised.

All Shares repurchased under the Offer will be cancelled.

THE OFFER PRICE

The Offer Price, being HK$20.94 per Share, values the entire issued share capital of the Company as at the Latest Practicable Date at approximately HK$3,315.7 million. The Offer Price represents:

i. a premium of approximately 97.55% over the closing price of HK$10.60 per Share as quoted on the Stock Exchange on the Last Trading Day;

ii. a premium of approximately 98.67% over the average closing price of HK$10.54 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;

iii. a premium of approximately 98.86% over the average of the closing prices of HK$10.53 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;

iv. a premium of approximately 84.66% over the average of the closing prices of HK$11.34 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;

v. a premium of approximately 74.50% over the closing price of HK$12.00 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

vi. a discount of approximately 10.70% to the audited consolidated net asset value of the Group attributable to the Shareholders of approximately HK$23.45 per Share as at 31 December, 2012; and

vii. a discount of approximately 10.01% to the unaudited consolidated net asset value of the Group of approximately HK$23.27 per Share as at 31 March, 2013.

UNDERTAKING IN RELATION TO THE OFFER

CMFH, which indirectly owned 42,604,015 Shares representing approximately 26.91% of the issued share capital of the Company as at the Latest Practicable Date, has irrevocably undertaken to the Company that it will procure its relevant subsidiaries holding such Shares to (i) accept the Assured Entitlement in respect of those Shares, and (ii) not to acquire further Shares or sell, transfer or otherwise dispose of any Shares held by such subsidiaries (other than pursuant to the Offer) prior to the closing or lapse or termination of the Offer, as the case may be.

As at the Latest Practicable Date, save for CMFH, no other person had irrevocably committed to accept or reject the Offer.

ASSURED ENTITLEMENTS AND SCALING DOWN ARRANGEMENT ON EXCESS ACCEPTANCES

The Qualifying Shareholders will be assured of being able to sell to the Company under the Offer approximately 5% of the Shares they hold as at the Record Date (to be rounded down to the nearest whole number of Share).

Qualifying Shareholders may accept the Offer in respect of some or all of their holdings of Shares, subject to the scaling down mechanism described below.

The number of Shares which may be repurchased from a particular accepting Qualifying Shareholder who tenders more than his/her/its Assured Entitlement may exceed the Assured Entitlement if any other Qualifying Shareholder either tenders no acceptance in respect of the Offer or accepts the Offer in respect of fewer Shares than is represented by his/her/its Assured Entitlement.

In the event that the total number of Shares acceded to the Offer exceeds 7,917,171 Shares, the Company will repurchase Shares in excess of the Assured Entitlements of the accepting Qualifying Shareholders in accordance with the following formula (save that the Company may in its absolute discretion round such figure up or down with the intention of avoiding (as far as practicable) Shares being held by the Qualifying Shareholders in odd lots or fractional entitlements):

$$\frac{(7{,}917{,}171 - A) \times C}{B}$$

where

A = Total number of Shares in respect of which the Offer is validly accepted by all Qualifying Shareholders and which form either all or part of their Assured Entitlements

B = Total number of Shares in respect of which the Offer is validly accepted by the Qualifying Shareholders in excess of their Assured Entitlements

C = Number of Shares in respect of which the Offer is validly accepted by the relevant Qualifying Shareholder in excess of his/her/its Assured Entitlement

Qualifying Shareholders with their Shares held by a nominee company, or which are held in CCASS, should note that the Board will regard the nominee company as a single Shareholder according to the Register of the Company. Accordingly, the Qualifying Shareholders whose Shares are registered in the name of a nominee company, or which are held in CCASS, should note that the aforesaid arrangement in relation to the allocation of the excess of the Assured Entitlements will not be extended to them individually. Qualifying Shareholders and investors should consult their professional advisers if they are in any doubt as to their status.

The decision of the Company as to any scaling down of acceptances of the Offer in excess of the Assured Entitlements and as to the treatment of odd lots or fractional entitlements will be conclusive and binding on all the Shareholders.

In the event that the total number of Shares acceded to the Offer is less than or equal to 7,917,171 Shares, acceptances of the Offer in excess of the Assured Entitlements will be taken up in full.

CONDITIONS TO THE OFFER

The Offer is subject to the following conditions being fulfilled:

(i) the passing of the ordinary resolution by the Shareholders approving the Offer and the transactions contemplated thereunder at the EGM by way of poll; and

(ii) the compliance by the Company with all legal and other requirements under the Listing Rules, the Codes and the laws of Hong Kong applicable to the Offer and the transactions contemplated thereunder (provided that the circumstances which give rise to the Company's right to invoke this condition for the Offer not becoming unconditional shall be of material significance to the Company in the context of the Offer.)

None of the Conditions can be waived. If any of the Conditions cannot be fulfilled by the date of the EGM, the Offer will lapse.

As at the Latest Practicable Date, the Conditions had not yet been fulfilled.

Acceptances by the Qualifying Shareholders under the Offer will be irrevocable and cannot be withdrawn after the Offer is declared unconditional except otherwise decided by the Executive pursuant to the Codes. For the avoidance of doubt, Qualifying Shareholders will be entitled to revoke and withdraw their acceptances tendered prior to the date on which the Offer should become unconditional, being the date of the EGM at which the relevant resolution to approve the Offer will be proposed.

The Offer is not conditional on any minimum number of Shares tendered for acceptance.

The Overseas Shareholder whose registered address is in Australia should note that under the *Corporations Act (2001)* of Australia, an offeror (such as the Company) making an offer to any registered shareholder with an address in Australia has the right to withdraw the offer by sending a withdrawal document to such shareholder but the company may not withdraw the offer within one month of the date of the offer document. However, the above statement has been inserted for the sole purpose of meeting the Australian regulatory requirements so that the Offer can be made to the Overseas Shareholder with a registered address in Australia. **Shareholders are reminded that under Rule 5 of the Takeovers Code, except with the consent of the Executive, the Company may not withdraw the Offer.**

OVERSEAS SHAREHOLDERS

This Offer Document will not be filed under the applicable securities or equivalent legislation or rules of any jurisdictions other than Hong Kong.

As the Offer to the persons not resident in Hong Kong may be affected by the laws of the relevant jurisdictions, the Overseas Shareholders should inform themselves about and observe all applicable legal or regulatory requirements and, where considered necessary, seek legal advice.

Based on the Register as at the Latest Practicable Date, there were a total of three Overseas Shareholders with registered addresses in three jurisdictions outside Hong Kong, being Australia, the Netherlands and the PRC. The Board had made enquiries regarding the legal restrictions under the applicable securities legislation of such jurisdictions and the requirements of the relevant body or stock exchange with respect to the Offer in relation to such Overseas Shareholders. Each of the legal advisers to the Company in respect of the laws of the Netherlands and the PRC advised that no local regulatory compliance would be required to be made in such jurisdictions for the Company to extend the Offer to the Overseas Shareholders who resided in such jurisdictions. Accordingly, the Offer will be extended to the Overseas Shareholders with registered addresses in the Netherlands and the PRC.

The legal advisers to the Company on the laws of Australia advised that Australian regulatory requirements would be required to be adhered to if the Offer was made to the Overseas Shareholder whose registered address is in Australia. Based on the advice of the Company's legal advisers on the laws of Australia, the Board believes that the Company has complied with the relevant Australian regulatory requirements and accordingly, the Offer will also be extended to the Overseas Shareholder with registered address in Australia. There are therefore no Excluded Shareholders.

It is the responsibility of each Overseas Shareholder who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required in compliance with all necessary formalities or legal requirements and the payment of any transfer or other taxes due in such relevant jurisdictions. Any acceptance by any Shareholder will be deemed to constitute a representation and warranty from such Shareholder to the Company that the local laws and requirements have been complied with. Shareholders should consult their professional advisers if in doubt.

PROCEDURES FOR ACCEPTANCE

If the Offer is declared unconditional, all Qualifying Shareholders will be able to tender their Shares for acceptance under the Offer for a period of 14 days thereafter.

In order to accept the Offer, Qualifying Shareholders should complete and return the accompanying Form of Acceptance in accordance with the instructions set out in this Offer Document and the instructions printed on the Form of Acceptance. The instructions set out in this Offer Document should be read together with the instructions printed on the Form of Acceptance (which instructions form part of the terms of the Offer).

The duly completed Form of Acceptance should be forwarded, together with the Title Documents for not less than the number of Shares in respect of which the relevant Qualifying Shareholder wishes to accept the Offer, by post or by hand to the Registrar, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong in an envelope marked "**China Merchants China Direct Investments Limited — Repurchase Offer**" as soon as possible after receipt of the Form of Acceptance but in any event so as to reach the Registrar by no later than 4:00 p.m. on Friday, 21 June, 2013, or such later time and/or date as the Company may, with the prior consent of the Executive, decide and announce.

No Form of Acceptance received after the Latest Acceptance Time will be accepted.

No acknowledgement of receipt of any Form of Acceptance or Title Documents will be given.

Only one Form of Acceptance may be submitted by each Qualifying Shareholder to the Registrar. Acceptances duly received will become irrevocable and cannot be withdrawn after the Offer has been declared unconditional except as otherwise provided for under the Codes.

ODD LOTS

The existing board lot size of 2,000 Shares per board lot will remain unchanged after the close of the Offer. Qualifying Shareholders should note that acceptance of the Offer may result in their holding odd lots of Shares.

STAMP DUTY

Seller's ad valorem stamp duty at the rate of HK$1.00 for every HK$1,000 (or part thereof) of the value of the consideration arising on acceptance of the Offer will be payable by the Qualifying

Shareholders who accept the Offer. The relevant amount of stamp duty payable by the Qualifying Shareholders will be deducted from the consideration payable to the Qualifying Shareholders under the Offer. The Company will bear its own portion of buyer's ad valorem stamp duty at the rate of HK$1.00 for every HK$1,000 (or part thereof) of the consideration payable or the market value whichever is higher, in respect of relevant acceptances of the Offer and will be responsible to account to the Stamp Office of Hong Kong for all the stamp duty payable for sale and purchase of the Shares which are validly tendered for acceptance under the Offer.

NOMINEE REGISTRATION OF SHARES

Shareholders whose Shares are held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the Register. With a view to having equality of treatment of all Qualifying Shareholders, those registered holders of Shares who hold Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Shares, whose investments are registered in nominee names (including those whose interests in the Shares are held through CCASS), to accept the Offer, it is essential that they provide instructions to their nominee agents of their intentions with regard to the Offer. Qualifying Shareholders with their Shares held by a nominee company may consider whether they would like to arrange registration of the relevant Shares in the names of the beneficial owners.

RESPONSIBILITY FOR DOCUMENTS

All communications, notices, Forms of Acceptance, the Title Documents and remittances to be delivered or sent by, to or from any Shareholder will be delivered or sent by, to and from them, or their designated agents, at their risk and none of the Company, Anglo Chinese, the Registrar or any of their respective directors or any other persons involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may rise as a result.

SETTLEMENT

Pursuant to Rule 20.1(b) of the Takeovers Code and given that the date of the EGM and the Final Closing Date will not be extended, the Shares represented by acceptances of the Offer shall be paid for by the Company as soon as possible but in any event within 7 business days following the close of the Offer.

Subject to the Offer becoming unconditional and provided that a duly completed Form of Acceptance, accompanied by the Title Documents, is received by the Registrar by no later than the Latest Acceptance Time and is or is deemed to be in order, the Registrar will send, by ordinary post at that accepting Qualifying Shareholder's risk, a remittance for such total amount as is due to that accepting Qualifying Shareholder under the Offer (subject to deduction of seller's ad valorem stamp duty due on the repurchase of the Shares from the amount payable in cash) within 7 business days of the close of the Offer.

If the Excess Number of Shares of an accepting Qualifying Shareholder has not been purchased by the Company in full, the Share certificate in respect of the balance of such Shares therefor will be sent to such accepting Qualifying Shareholder by ordinary post at his/her/its risk within 7 business days of the close of the Offer.

If the Offer does not become unconditional, the Title Documents will be returned and/or sent to each accepting Qualifying Shareholder (by ordinary post at that Qualifying Shareholder's own risk) within 7 business days of the lapse of the Offer. In such an event, the Company will make an announcement in accordance with the Codes and, or, send a notice of lapse of the Offer to the Shareholders. Where any accepting Qualifying Shareholder has sent one or more transfer receipt(s) and in the meantime one or more Share certificate(s) has/have been collected on that Qualifying Shareholder's behalf in respect thereof, that Qualifying Shareholder will be sent (by ordinary post at his/her/its own risk) such Share certificate(s) in lieu of the transfer receipt(s).

TAX IMPLICATIONS

Qualifying Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offer. It is emphasised that none of the Company, its ultimate beneficial owners and parties acting in concert with any of them, Anglo Chinese, Altus Capital, the Registrar or any of their respective directors or any persons involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of his/their acceptance(s) of the Offer.

EGM

A notice convening the EGM to be held at JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Friday, 7 June, 2013, at 3:00 p.m., at which an ordinary resolution will be proposed for the purposes of considering and, if thought fit, approving the Offer, is set out on pages EGM-1 to EGM-3 of this Offer Document.

GENERAL

Shareholders are strongly advised to consider carefully the information in the letter from the Board, the recommendation of the Independent Board Committee and the advice from Altus Capital contained in this Offer Document, and to consult their professional advisers as they see fit.

Your attention is also drawn to the information set out in the appendices to this Offer Document which form part of this Offer Document.

Yours faithfully,
For and on behalf of
Anglo Chinese Corporate Finance, Limited
Dennis CASSIDY
Director

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)

13 May, 2013

To the Shareholders

Dear Sir and Madam,

PROPOSED VOLUNTARY CONDITIONAL CASH OFFER BY ANGLO CHINESE CORPORATE FINANCE, LIMITED ON BEHALF OF CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED TO REPURCHASE UP TO 7,917,171 SHARES AT A PRICE OF HK$20.94 PER SHARE

We have been appointed as members of the Independent Board Committee to advise you in respect of the Offer. Details of the Offer are set out in the letter from the Board contained in the document of the Company dated 13 May, 2013 (the "**Offer Document**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Offer Document unless the context requires otherwise.

Your attention is drawn to the letter from Anglo Chinese set out on pages 18 to 25 of the Offer Document and Appendix I to the Offer Document containing the terms and conditions of the Offer, and the letter of advice from Altus Capital set out on pages 28 to 42 of the Offer Document, which contains its advice to us and the Shareholders in respect of the Offer, as well as the principal factors and reasons for its advice.

Having considered the factors and reasons considered by, and the opinion of, Altus Capital as stated in the aforementioned letter of advice, we are of the opinion that the terms of the Offer are fair and reasonable so far as the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Shareholders to vote in favour of the proposed resolution to approve the Offer at the EGM.

We also concur with the advice of Altus Capital and recommend the Qualifying Shareholders to accept the Offer. Notwithstanding our recommendations, as different Shareholders would have different investment criteria, objectives, risk preference and tolerance level and/or circumstances, we would recommend any Qualifying Shareholder who may require advice in relation to any aspect of the Offer, or as to the action to be taken, to consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant, tax adviser or other professional adviser. The Qualifying Shareholders, in particular those who intend to accept the Offer, are reminded to note the recent fluctuation in the Share price after the release of the Announcement, and that there is no guarantee that the current market price of the Share will be lower than the Offer Price during and after the close of the Offer.

Yours faithfully,
Independent Board Committee
China Merchants China Direct Investments Limited

KE Shifeng
Non-executive Director

LIU Baojie
XIE Tao
ZHU Li
TSANG Wah Kwong
Independent non-executive Directors

The following is the full text of a letter of advice from Altus Capital to the Independent Board Committee and the Shareholders in relation to the terms of the Offer, which has been prepared for the purpose of inclusion in this Offer Document.

ALTUS CAPITAL LIMITED
21 Wing Wo Street
Central, Hong Kong

13 May 2013

To the Independent Board Committee and the Shareholders of
China Merchants China Direct Investments Limited
1803 China Merchants Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

Dear Sirs,

PROPOSED VOLUNTARY CONDITIONAL CASH OFFER
TO REPURCHASE UP TO 7,917,171 SHARES
AT A PRICE OF HK$20.94 PER SHARE

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Shareholders in respect of the Offer. Details of the Offer are set out in the "Letter from the Board" contained in the Offer Document to the Shareholders dated 13 May 2013, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Offer Document unless the context requires otherwise.

On 25 April 2013, the Board announced that a voluntary conditional cash offer would be made by Anglo Chinese on behalf of the Company in compliance with the Repurchases Code, subject to fulfillment of the Conditions, to repurchase for cancellation up to 7,917,171 Shares, representing approximately 5% of the entire issued share capital of the Company as at the Latest Practicable Date from the Qualifying Shareholders. The Offer will be made at the Offer Price of HK$20.94 per Share in cash, payable by the Company from its internal resources.

The Offer will be conditional upon, among other things, the approval of the Offer by the Shareholders at the EGM by way of poll. None of the conditions can be waived. If any of the conditions of the Offer cannot be fulfilled by the date of the EGM, the Offer will lapse.

The Offer is not conditional on any minimum number of Shares being tendered for acceptance.

CMFH, which indirectly owned 42,604,015 Shares representing approximately 26.91% of the issued share capital of the Company as at the Latest Practicable Date, has confirmed that it intends to procure its subsidiaries holding those Shares to vote for the Offer at the EGM. CMFH has also irrevocably undertaken to the Company that it will procure its relevant subsidiaries holding such Shares to (i) accept the Assured Entitlement in respect of those Shares, and (ii) not to acquire further Shares or sell, transfer or otherwise dispose of any Shares held by such subsidiaries (other than pursuant to the Offer) prior to the closing or lapse or termination of the Offer, as the case may be.

THE INDEPENDENT BOARD COMMITTEE

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee comprising the non-executive Director, Mr. KE Shifeng, and all the independent non-executive Directors, namely Mr. LIU Baojie, Mr. XIE Tao, Mr. ZHU Li and Mr. TSANG Wah Kwong, has been established by the Board to consider the terms of the Offer and to give advice and recommendation to the Shareholders as to whether the terms of the Offer are fair and reasonable and are in the interests of the Company and the Shareholders as a whole; and whether or not to accept the Offer.

As the independent financial adviser to the Independent Board Committee and the Shareholders, our role is to give an independent advice to the Independent Board Committee and the Shareholders as to (i) whether the terms of the Offer are fair and reasonable and are in the interests of the Company and the Shareholders as a whole; (ii) how the Shareholders should vote in respect of the resolution relating to the Offer to be proposed at the EGM, and (iii) how the Qualifying Shareholders should decide whether or not to accept the Offer.

We have been appointed as the independent financial adviser by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee and the Shareholders. Apart from the normal advisory fee payable to us in connection with our appointment, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

BASIS OF OUR ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained or referred to in the Offer Document and/or provided to us by the Company, the Directors and the management of the Company (the "**Management**"). We have assumed that all statements, information, opinions and representations contained or referred to in the Offer Document and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the date of the Offer Document.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Offer Document and/or provided to us by the Company, the Directors and the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group nor have we carried out any independent verification of the information supplied to us.

We consider that we have been provided with sufficient information by the Company, the Directors and the Management and have taken sufficient and necessary steps, on which to form a reasonable basis and an informed view for our advice in compliance with Rule 2 of the Takeovers Code.

We have not considered the taxation implications on the Qualifying Shareholders arising from acceptance or non-acceptance of the Offer, if any, and therefore we will not accept responsibility for any tax effect or liability that may potentially be incurred to the Qualifying Shareholders as a result of the Offer. In particular, the Shareholders who are subject to Hong Kong or overseas taxation on dealings in securities are urged to seek their own professional advisers on tax matters.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on whether the terms of the Offer are fair and reasonable, we have taken into consideration the following principal factors and reasons:

1. **Background information on the Group**

The Company is an investment company, the Shares of which have been listed on the Main Board of the Stock Exchange under Chapter 21 of the Listing Rules. The Group is principally engaged in direct investment in companies with significant business involvement in the PRC. Its investment objective is to acquire quality and matured investment projects, principally in unlisted enterprises, in the PRC. The Company may also invest in listed 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.

Typical of most investment companies listed under Chapter 21 of the Listing Rules, the investment portfolio and day-to-day administration of the Company are handled by the investment manager instead of the Board. The Board is responsible for formulating the Company's overall investment strategy and guidelines for the investment manager to follow in making investment decisions. The investment manager receives management fees pursuant to a management agreement as pre-approved by the Shareholders periodically.

CMFH is the single largest Shareholder holding 42,604,015 Shares, representing approximately 26.91% of the issued share capital of the Company as at the Latest Practicable Date. CMFH and Victor Chu China Investment Limited (which is majority owned by Mr. CHU Lap Lik, Victor ("**Mr. CHU**"), an executive Director) respectively own 55% and 45% of share capital of China Merchants China Investment Management Limited ("**CMIM**"), which under an investment management agreement provides investment management services to the Company. Mr. CHU, Mr. HONG Xioayuan, Mr. TSE Yue Kit and Ms. ZHOU Linda Lei, all executive Directors, are also the directors of CMIM.

2. **Performance of the Group**

The following table sets out a summary of the audited consolidated results of the Company for each of the two years ended 31 December 2011 and 2012, as extracted from the Group's 2012 annual report (the "**2012 Annual Report**"). For more details, please refer to the 2012 Annual Report posted on the Stock Exchange website (http://www.hkexnews.hk).

	For the year ended 31 December	
	2012	**2011**
	US$'000	*US$'000*
Profit (loss) before taxation	24,287	(17,620)
Profit (loss) attributable to Shareholders	9,883	(19,828)
Weighted average number of Shares	154,350,861	150,126,198
Earnings (loss) per Share	US$0.064 (equivalent to HK$0.497)	US$(0.132) (equivalent to HK$(1.025))

	As at 31 December	
	2012	**2011**
	US$'000	*US$'000*
Net asset value	478,402	476,911
Number of Shares in issue	158,343,417	151,499,036
Net asset value per Share	US$3.021 (equivalent to HK$23.45)	US$3.148 (equivalent to HK$24.44)

(i) ***Results of 2012***

For the year ended 31 December 2012, the Group recorded a profit attributable to Shareholders of approximately US$9.88 million, compared to a loss of approximately US$19.83 million for 2011. As described in the 2012 Annual Report, this was largely attributable to a turnaround in the fair value of the Group's underlying investments pursuant to relevant accounting standards.

As at 31 December 2012, the net assets of the Group were approximately US$478.40 million (2011: approximately US$476.91 million). This represented an increase of less than 1% if compared to that as at 31 December 2011. On the basis of 158,343,417 Shares in issue as at 31 December 2012 (2011:151,499,036 Shares), net asset value per Share amounted to approximately US$3.021 (equivalent to HK$23.45) (2011: approximately US$3.148 (equivalent to HK$24.44)).

Total investment income for 2012 decreased by approximately 21% to approximately US$13.68 million as compared to approximately US$17.33 million in 2011 due primarily to a decrease in dividend income from investments and in interest income.

(ii) ***Net asset value as at 31 March 2013***

As disclosed in an announcement dated 15 April 2013 issued by the Company, as at 31 March 2013, the unaudited consolidated net asset value per Share was approximately US$2.998 (equivalent to HK$23.27). Also as disclosed in a separate announcement dated 15 April 2013 issued by the Company, an amount of approximately US$76 million was recorded as bank balances and cash (including an amount of US$51.78 million, denominated in RMB), representing approximately 13.39% of the unaudited total assets of the Company as at 31 March 2013.

Assuming full acceptance of the Offer, the total cash consideration payable from the Company's internal resources will amount to approximately US$21.36 million (equivalent to approximately HK$165.80 million), representing approximately 28.1% of the Group's total cash on hand as at 31 March 2013.

3. **Principal terms and conditions of the Offer**

(i) ***Principal terms***

(a) The Offer is made by Anglo Chinese on behalf of the Company to all Qualifying Shareholders on an equal basis at a price of HK$20.94 per Share, provided that the total number of Shares to be repurchased under the Offer shall not exceed 7,917,171 Shares, representing approximately 5% of the entire issued share capital of the Company as at the Latest Practicable Date.

(b) Qualifying Shareholders may accept the Offer in respect of all or part of their holding of Shares, subject to the scaling down mechanism.

(c) The Company will take up the number of Shares up to the Assured Entitlements (being not more than 5% of each Qualifying Shareholder's shareholding) from each Qualifying Shareholder upon the Offer being declared unconditional in all respects.

(d) Qualifying Shareholders may also tender an acceptance of the Offer in excess of their Assured Entitlements but such excess acceptance will only be satisfied on a pro rata basis based on the total number of Shares in excess of the Assured Entitlements that they have validly accepted.

(e) Fractions of Shares will not be taken up under the Offer. The Company has the discretion to round up or down to the nearest whole number of Shares when taking up the Shares from the Qualifying Shareholders.

(f) The accepting Qualifying Shareholders whose names are on the register of members on 23 May 2013 will be entitled to the final dividend in respect of the year ended 31 December 2012 expected to be paid on or about 31 July 2013, which will be available in cash with an option to receive new, fully paid Shares in lieu of cash irrespective of

the Offer. Therefore, the Offer will not be made available in respect of the new Shares to be issued for scrip dividend, such that the Qualifying Shareholders will not be able to accept the Offer in respect of the new Shares to be issued for such scrip dividend.

(g) The existing board lot size of 2,000 Shares per board lot will remain unchanged after the close of the Offer.

(h) All Shares repurchased under the Offer will be cancelled.

(ii) ***Conditions of the Offer***

(a) The Offer will be conditional upon, among other things, the approval of the Offer by the Shareholders at the EGM by way of poll.

(b) The conditions for the Offer cannot be waived. If any condition cannot be fulfilled by the date of the EGM, the Offer will lapse.

(c) The Offer will not be conditional on any minimum number of Shares tendered for acceptance.

(d) Acceptances by the Qualifying Shareholders under the Offer will be irrevocable and cannot be withdrawn after the Offer being approved at the EGM and becoming unconditional, except as otherwise decided by the Executive pursuant to the Takeovers Code.

Details of the terms and conditions of the Offer are set out in Appendix I to the Offer Document.

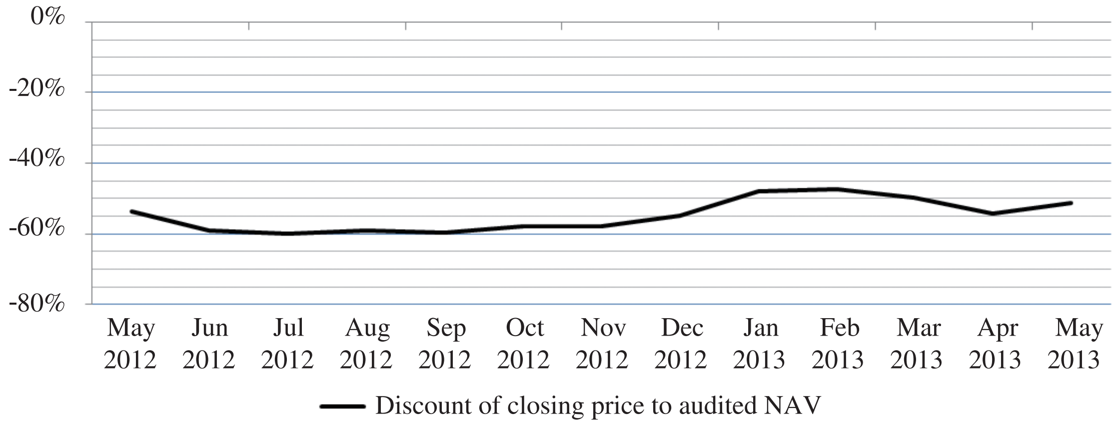
4. **Reasons for the Offer**

As stated in the "Letter from the Board" of the Offer Document, the Board considers that the Offer is beneficial to both the Company and the Shareholders as follows:

(i) The audited net asset value per Share was approximately US$3.148 (equivalent to approximately HK$24.44) and US$3.021 (equivalent to approximately HK$23.45) as at 31 December 2011 and 2012 respectively. However, the closing price per Share has been in the range of HK$9.67 to HK$13.40 over the past twelve months up to and including the Last Trading Day.

Set out below is a chart showing the discount of the monthly average closing prices of the Shares quoted on the Stock Exchange to its audited net asset value per Share for the past twelve months up to and including the Last Trading Day and thereafter up to the Latest Practicable Date:

China Merchants China Direct Investments Limited



Source:HKEx

As illustrated in the chart above, the Shares have been traded at deep discounts of approximately 47.5% to 60.0% to its then audited net asset value for the past twelve months up to and including the Last Trading Day and continued till the Latest Practicable Date.

(ii) As at 31 March 2013, the Group had bank balances and cash of over HK$582.23 million. The Offer will allow the Company to return part of the surplus fund to the Qualifying Shareholders. The Board considers that the Offer will have no material adverse effect on the Group's liabilities and working capital and that the Group will have sufficient working capital to meet its normal operating requirement after completion of the Offer.

(iii) The Offer will provide an opportunity for those Qualifying Shareholders who wish to realise part of their investments in the Company at a premium over the market price of the Shares without having to incur the brokerage fees, transaction levies and trading fees which are customarily payable when disposing of shares in the open market.

(iv) A share repurchase by way of a general offer is a fair way to enable all Shareholders to participate equally in the programme of repurchasing Shares by the Company.

(v) Qualifying Shareholders who wish to retain their shareholdings and participate in the future prospects of the Group may increase their proportionate interests in the Company with potentially enhanced net asset value per Share and future earnings attributable to each Share held by them after completion of the Offer.

Taking into account the abovementioned reasons and benefits of the Offer, we are of the view that the making of the Offer is justifiable and reasonable.

5. **Evaluation of the Offer**

(i) ***Offer Price***

The Offer Price, being HK$20.94 per Share, represents:

- a premium of approximately 97.55% over the closing price of HK$10.60 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 98.67% over the average closing price of HK$10.54 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;
- a premium of approximately 74.50% over the closing price of HK$12.00 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- a discount of approximately 10.01% to the unaudited consolidated net asset value of the Group of approximately HK$23.27 per Share as at 31 March 2013.

Further details of the comparison to the historical prices of the Shares are set out in the "Letter from the Board" of the Offer Document.

We have reviewed and set out in the table below the highest and lowest closing prices at which the Shares were traded on the Stock Exchange, together with the average daily trading volume of the Shares, in the past twelve months up to and including the Last Trading Date, and thereafter up to the Latest Practicable Date:

	Closing price per Share		**Average daily trading volume**	**Percentage of the average daily trading volume to total number of Shares in issue as at the Latest Practicable Date**
	Highest	**Lowest**		
	HK$	*HK$*	*Shares*	
2012				
April	12.40	11.54	134,962	0.085%
May	12.60	10.10	122,185	0.077%
June	10.28	9.86	78,513	0.050%
July	10.10	9.67	74,034	0.047%
August	10.36	9.70	55,188	0.035%
September	10.14	9.70	48,515	0.031%
October	10.80	10.04	160,106	0.101%
November	10.78	10.06	127,532	0.081%
December	11.98	10.22	229,782	0.145%
2013				
January	13.40	12.26	304,569	0.192%
February	13.38	12.42	327,032	0.207%
March	12.76	11.60	202,086	0.128%
April (1 and up to the Last Trading Day)	11.16	10.34	148,262	0.094%
April (25 to 30)	12.02	11.70	1,558,000	0.984%
May (1 and up to the Latest Practicable Date)	12.20	11.78	284,249	0.180%

Source: HKEx

As shown in the above table, the closing prices of the Shares were at its highest of HK$13.40 on 23 January 2013 and lowest of HK$9.67 on 26 July 2012 during the past twelve months preceding the Last Trading Day.

Comparing the Offer Price to the Share prices which were trading at a deep discount of approximately 47.5% to 60.0% to its net asset value per Share for the past twelve months up to and including the Last Trading Day, the Offer Price represents a lowered discount of approximately 10% to the unaudited net asset value per Share as at 31 March 2013.

Although the Offer Price still represents a discount of approximately 10% to the unaudited net asset value per Share as at 31 March 2013, given that the Offer is extended to all Shareholders, no Shareholder is worse off. **In addition, despite the Excluded Shareholders, if any, are not qualified to accept the Offer, they are not disadvantaged in terms of net asset value per Share; but will instead be benefited by the enhanced net asset value per Share of all their retained interests after the Offer.**

Having considered the above, we are of the view that the Offer Price is fair and reasonable.

(ii) ***Mechanism of the Offer***

Under the Offer, the shares repurchase by way of general offer is a fair mechanism in which all Qualifying Shareholders can participate equally on the same terms. As illustrated in the table in paragraph 5(i) above, the average daily trading volume of the Shares represented less than 0.25% of the total Shares in issue up to the Last Trading Day. Thereafter and up to and including the Latest Practicable Date, the average daily trading volume of the Shares increased to approximately 0.98%. Given the relatively low trading turnover, the Offer provides an opportunity for those Qualifying Shareholders who wish to realise all or part of their holdings to do so at a premium substantially above the prevailing market price without incurring transaction costs otherwise necessary within a reasonable time limit as it is expected that the Offer will be completed by the end of June 2013.

We concur that this is a fairer mechanism compared to the Company conducting such share repurchases in the open market as open market purchases may be more advantageous to Shareholders who have constant and wider access to the stock market.

(iii) ***Changes in shareholding structure***

The table below shows the possible changes in shareholding structure of the Company before and after closing of the Offer and with the assumptions described below:

	Number of Shares held as at the Latest Practicable Date		**Assuming only CMFH and its associates accept their Assured Entitlements in full**		**Assuming only CMFH and its associates accept their Assured Entitlements in full and all excess Shares**		**Assuming all Qualifying Shareholders accept their Assured Entitlements in full**	
	Shares	*%*	*Shares*	*%*	*Shares*	*%*	*Shares*	*%*
CMFH and its associates	42,604,015	26.91%	40,473,814	25.91%	34,686,844	23.06%	40,473,814	26.91%
Other Shareholders	115,739,402	73.09%	115,739,402	74.09%	115,739,402	76.94%	109,952,432	73.09%
Total	158,343,417	100.00%	156,213,216	100.00%	150,426,246	100.00%	150,426,246	100.00%

On the basis that all Qualifying Shareholders, including CMFH and its associates, accept their Assured Entitlements under the Offer in full, the proportionate shareholding of all Shareholders in the Company will remain unchanged following completion of the Offer.

CMFH, which indirectly owned 42,604,015 Shares representing approximately 26.91% of the issued share capital of the Company as at the Latest Practicable Date, has confirmed that it intends to procure its subsidiaries holding those Shares to vote in favour of the resolution approving the Offer at the EGM and irrevocably undertaken to the Company to procure its subsidiaries holding those Shares to accept the Assured Entitlements in respect of its holdings in the Shares.

On the basis that all Qualifying Shareholders do not tender their acceptance to the Offer other than CMFH and its associates accepting their Assured Entitlements in full, the proportionate interests of the Shareholders (except for CMFH and its associates) in the Company will increase from approximately 73.09% to approximately 74.09%, representing a variance of less than 1%.

On the basis that all Qualifying Shareholders do not tender their acceptance to the Offer other than CMFH and its associates accepting their Assured Entitlements together with all the relevant excess, representing all 7,917,171 Shares to be repurchased under the Offer, the proportionate interests of the Shareholders (except for CMFH and its associates) in the Company will increase from approximately 73.09% to 76.94%, representing an variance of less than 4%. We consider this effect to be minimal insofar as the Shareholders are concerned and that the occurrence of this scenario is unlikely given the terms of the Offer are fair and reasonable to the Shareholders.

Whichever the outcome above, we noted that CMFH will remain the single largest Shareholder after the Offer (based on the Company's shareholding structure as at the Latest Practicable Date). There will be continuity in this respect as well as in the investment management arrangement of the Company.

(iv) ***Possible impact on net asset value and earnings per Share***

The table below sets out the possible impact on the net asset value per Share and earnings per Share as a result of the Offer. Further details on the financial effects of the Offer are set out under the section headed "Financial effects of the Offer" in the "Letter from the Board" of the Offer Document and in "Appendix III — Unaudited pro forma financial information of the Group" to the Offer Document.

	As at 31 December 2012	**Immediately following completion of the Offer**	**Percentage change before and after the Offer**
Net asset value	US$478,402,362		
Proforma adjusted net asset value		US$456,653,839	(5%)
Shares in issue as at the Latest Practicable Date	158,343,417		
Shares in issue upon closing of the Offer		150,426,246	(5%)
Net asset value per Share	US$3.021 (equivalent to HK$23.45)	US$3.036 (equivalent to HK$23.57)	0.5%
	For the year ended 31 December 2012	**For the year ended 31 December 2012**	
Profit attributable to the Shareholders (Assuming earnings remain unchanged)	US$9,883,248		
Proforma adjusted profit attributable to the Shareholders		US$9,441,194	(5%)
Weighted average number of Shares	154,350,861	146,433,690	
Earnings per Share	US$0.0640 (equivalent to HK$0.497)		
Proforma adjusted earnings per Share		US$0.0645 (equivalent to HK$0.500)	0.7%

As illustrated above, the proforma net asset value per Share will slightly increase by approximately 0.5% as a result of the Offer, while the earnings per Share will slightly increase by 0.7% as a result of the cancellation of Shares repurchased under the Offer. However, this is only a hypothetical analysis for illustration purpose as the net asset value and earnings of the Group following the completion of the Offer may be affected by other factors, such as movements in fair value of the Group's underlying investments, the future dividend policy of the Company's investments and the interest income receivable by the Company.

(v) ***Possible impact on the liabilities***

As stated in the "Letter from the Board" of the Offer Document, the Group has no bank overdraft or loans or other similar indentures, mortgages, charges or guarantees or other material contingent liabilities. The consideration under the Offer and related costs will be paid out of the existing cash resources of the Group. Therefore the Offer will have no material adverse effect on the Group's liabilities.

(vi) ***Possible impact on working capital***

As described in the "Letter from the Board" of the Offer Document, as at 31 March 2013, the Group had bank balances and cash of over HK$582.23 million. Assuming full acceptance of the Offer for 7,917,171 Shares, the total estimated cash payment of the Offer and the total estimated expenses in relation to the Offer will be approximately HK$165.80 million and approximately HK$3.05 million respectively, representing an aggregate decrease in bank balances and cash of approximately 29.0%. Accordingly, the Offer (assuming full acceptance of the Offer for 7,917,171 Shares) will reduce the working capital available to the Group and the net current assets of the Group by the same amount. But it will not have material adverse effect on the working capital of the Group and the Directors confirm that the Group will have sufficient working capital to meet its normal operating requirement after completion of the Offer.

(vii) ***Intention of the Company after the Offer***

As stated in the "Letter from the Board" of the Offer Document, the Company does not intend to introduce any major changes to its existing operations and management structure of the Group following the close or lapse of the Offer and will continue to maintain the listing of the Shares on the Stock Exchange with a minimum public float of not less than 25% following the cancellation of the Shares to be repurchased by the Company under the Offer. We consider this to be reasonable since the Offer is extended to only 5% of the entire issued capital of the Company.

(viii) ***Odd lot issue***

Acceptance of the Offer (either in part or in full) may result in Qualifying Shareholders holding odd lot of Shares. The realisable price of odd lot Shares may be significantly lower than the trading price of board lot Shares on the market. However, it is envisaged that the potential diminishing in value of Shares as a result of odd lot, if any, can largely be compensated by the benefits of the Offer to the Shareholders.

In view of the foregoing, we are of the view that the terms of the Offer are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

6. DISCUSSION AND ANALYSIS

In summary, the Offer is expected to bring the following benefits to the Shareholders:

(i) the Offer provides the Qualifying Shareholders with an equal opportunity to realise part (or, in certain circumstances, the whole) of their Shares on hand by accepting the Offer at HK$20.94 per Share, which is at a significant premium to the prevailing market price of the Shares being traded on the Stock Exchange. We consider this is advantageous to the Shareholders since the Shares have been trading at a significant discount to its net asset value and at low trading volume during the past twelve months preceding the Last Trading Day;

(ii) assuming all Qualifying Shareholders accept the Offer in full, the shareholder base of the Company will remain almost unchanged following the completion of the Offer and the changes of Shareholders' proportionate interests in the Company will be minimal as explained in paragraph 5(iii) above, while the cancellation of the Shares upon repurchase by the Company will enhance the consolidated net asset value per Share as well as earnings per Share as explained in paragraph 5(iv) above; and

(iii) notwithstanding the Offer being approved by the Shareholders at the EGM, the Qualifying Shareholders may observe the market prices of Shares during the Offer Period before deciding whether to accept the Offer. They may elect not to accept the Offer in respect of part or all of their Shares on hand and increase their proportionate interests in the Company after completion of the Offer.

7. RECOMMENDATION

Taking into account the above principal factors and reasons, we consider that the terms of the Offer are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM approving the Offer and the Qualifying Shareholders to accept the Offer.

Despite the Excluded Shareholders are not qualified to accept the Offer, as explained in paragraph 5(i) above, they are not disadvantaged in terms of net asset value per Share; but will instead be benefited by the enhanced net asset value per Share of all their retained interests after the Offer. Hence, we advise the Independent Board Committee to draw the attention of the Excluded Shareholders to the Offer and to vote in favour of the resolution to be proposed at the EGM approving the Offer.

However, for Qualifying Shareholders who wish to retain their holdings and participate in the future prospects of the Group, they may elect not to accept the Offer in respect of part or all of their shareholding in the Company so as to increase their proportionate interests in the Company after the completion of the Offer.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Arnold Ip	**Sean Pey Chang**
Executive Director	*Executive Director*

Anglo Chinese is making the Offer to the Qualifying Shareholders on behalf of the Company to repurchase the Shares, on the terms and subject to the conditions set out in this Offer Document. The terms and conditions of the Offer are set out below.

TERMS AND CONDITIONS OF THE OFFER

1. The Offer

The Company will repurchase for cancellation up to 7,917,171 Shares at the Offer Price. The Offer Price is HK$20.94 per Share.

2. Conditions

The Offer is conditional upon fulfilment of all of the following conditions:

(i) the passing of the ordinary resolution by the Shareholders approving the Offer and the transactions contemplated thereunder at the EGM by way of poll; and

(ii) the compliance by the Company with all legal and other requirements under the Listing Rules, the Codes and the laws of Hong Kong applicable to the Offer and the transactions contemplated thereunder (provided that the circumstances which give rise to the Company's right to invoke this condition for the Offer not becoming unconditional shall be of material significance to the Company in the context of the Offer.)

None of the Conditions can be waived. If any of the Conditions cannot be fulfilled by the date of the EGM, the Offer will lapse.

As at the Latest Practicable Date, the Conditions had not yet been fulfilled.

The Offer is not conditional as to any minimum number of Shares tendered for acceptance.

3. Maximum number of Shares

The maximum number of Shares which will be repurchased by the Company pursuant to the Offer is 7,917,171 Shares, representing approximately 5% of the issued share capital of the Company of 158,343,417 Shares as at the Latest Practicable Date.

4. Qualifying Shareholders

The Offer is available to all Qualifying Shareholders.

5. Acceptance

5.1 Qualifying Shareholders may accept the Offer in respect of any number of their Shares at the Offer Price up to their entire holding of Shares by submitting to the Registrar a duly completed Form of Acceptance, accompanied by the Title Documents, by no later than the Latest Acceptance Time. Each Share may only be accepted under the Offer once.

5.2 The number of Shares specified by an accepting Qualifying Shareholder in a Form of Acceptance will be repurchased in the following order:

(i) firstly, all the Shares up to the Assured Entitlement of an accepting Qualifying Shareholder; and

(ii) secondly, on condition that there are Surplus Shares, the Excess Number of Shares as is equal to the proportion which such Excess Number of Shares bears to the aggregate Excess Number of Shares in all Forms of Acceptance up to 7,917,171 Shares.

5.3 Forms of Acceptance which have been duly completed and received by the Registrar by no later than the Latest Acceptance Time will constitute irrevocable acceptances of the Offer after the Offer has been declared unconditional.

5.4 All of the Shares repurchased by the Company will be free of commissions and dealing charges, but seller's ad valorem stamp duty payable by the accepting Qualifying Shareholders, calculated at a rate of HK$1.00 for every HK$1,000 or part thereof of the market value of the Shares to be repurchased under the Offer or the consideration payable by the Company in respect of the relevant acceptances of the Offer, whichever is the higher, will be deducted by the Company from the amount payable to the accepting Qualifying Shareholders. The Company will arrange for payment of the seller's ad valorem stamp duty on behalf of the accepting Qualifying Shareholders to the Stamp Office in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

5.5 All Shares repurchased under the Offer will be cancelled in accordance with the articles of association of the Company and will not rank for any dividends declared on or after the Final Closing Date.

5.6 Subject to the Offer becoming unconditional, the submission of a Form of Acceptance by an accepting Qualifying Shareholder in the manner described in 5.1 above will be deemed to constitute a warranty from such accepting Qualifying Shareholder to Anglo Chinese and the Company that all Shares sold by such accepting Qualifying Shareholder under the Offer are fully paid and are held by the Qualifying Shareholder as at the Final Closing Date free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto on or after the Final Closing Date.

6. **Assured Entitlements and Excess Number of Shares**

6.1 Shares tendered for acceptance of the Offer by each accepting Qualifying Shareholder to the extent of his/her/its Assured Entitlement will be accepted in full.

6.2 The number of Shares which may be repurchased from an accepting Qualifying Shareholder may exceed his or her or its Assured Entitlement if any other Qualifying Shareholder either tenders no acceptance in respect of the Offer or accepts the Offer in respect of fewer Shares than is represented by his/her/its Assured Entitlement.

6.3 In the event that the total number of Shares acceded to the Offer exceeds 7,917,171 Shares, the Company will repurchase Shares in excess of the Assured Entitlements of the accepting Qualifying Shareholders in accordance with the following formula (save that the Company may in its absolute discretion round such figure up or down with the intention of avoiding (as far as practicable) Shares being held by the Qualifying Shareholders in odd lots or fractional entitlements):

$$\frac{(7,917,171 - A) \times C}{B}$$

where

A = Total number of Shares in respect of which the Offer is validly accepted by all Qualifying Shareholders and which form either all or part of their Assured Entitlements

B = Total number of Shares in respect of which the Offer is validly accepted by Qualifying Shareholders in excess of their Assured Entitlements

C = Number of Shares in respect of which the Offer is validly accepted by the relevant Qualifying Shareholder in excess of his/her/its Assured Entitlement

Qualifying Shareholders with their Shares held by a nominee company, or which are held in CCASS, should note that the Board will regard the nominee company as a single Shareholder according to the Register of the Company. Accordingly, the Qualifying Shareholders whose Shares are registered in the name of a nominee company, or which are held in CCASS, should note that the aforesaid arrangement in relation to the allocation of the excess of the Assured Entitlements will not be extended to them individually. Qualifying Shareholders and investors should consult their professional advisers if they are in any doubt as to their status.

6.4 The decision of the Company as to any scaling down of acceptances of the Offer in excess of the Assured Entitlements and as to the treatment of odd lots or fractional entitlements will be conclusive and binding on all the accepting Qualifying Shareholders.

6.5 In the event that the total number of Shares acceded to the Offer is less than or equal to 7,917,171 Shares, acceptances of the Offer in excess of the Assured Entitlements will be taken up in full.

7. **Odd lots**

7.1 The existing board lot size of 2,000 Shares per board lot will remain unchanged after the Offer. Accepting Qualifying Shareholders should note that acceptance of the Offer may result in their holding of odd lots of Shares.

8. **Acceptance period**

8.1 **If the Offer becomes unconditional, the Offer will remain open for acceptance for a period of 14 days thereafter and will not be extended.** In order to be valid, the duly completed Form of Acceptance, together with the Title Documents in respect of such number of Shares which the relevant accepting Qualifying Shareholders intend to accept under the Offer, must be delivered to and received by the Registrar by no later than the Latest Acceptance Time, which is currently expected to be 4:00 p.m. on Friday, 21 June, 2013, or such later time and/or date as the Company may, with the prior consent of the Executive, decide and announce.

8.2 The date when the last one of the Conditions is expected to be satisfied is Friday, 7 June, 2013, being the date of the EGM. Such date may be postponed by the Company, subject to the prior consent of the Executive.

9. **Irrevocable acceptances**

Acceptances by the Qualifying Shareholders under the Offer will be irrevocable and cannot be withdrawn after the Offer becomes unconditional except as otherwise decided by the Executive pursuant to the Codes. For the avoidance of doubt, Qualifying Shareholders will be entitled to revoke and withdraw their acceptances tendered prior to the date on which the Offer should become unconditional, being the date of the EGM at which the relevant resolution to approve the Offer will be proposed.

10. **General**

10.1 The Shares to be repurchased under the Offer shall be fully paid, free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and shall be sold together with all rights attaching thereto on or after the Final Closing Date. The accepting Qualifying Shareholders whose names are on the register of members on 23 May, 2013 will be entitled to the final dividend in respect of the year ended 31 December, 2012 which is expected to be paid on or about 31 July, 2013, which will be available in cash with an option to receive new, fully paid Shares in lieu of cash irrespective of the Offer. As such, the Offer will not be made available in respect of the new Shares to be issued for scrip dividend, such that the Qualifying Shareholders will not be able to accept the Offer in respect of the new Shares to be issued for such scrip dividend.

10.2 Qualifying Shareholders may accept the Offer by completing and returning the accompanying Form of Acceptance in accordance with the instructions set out in this Offer Document and the instructions printed on the Form of Acceptance. A Form of Acceptance may be rejected as invalid if the procedures contained in this Offer Document and in the Form of Acceptance are not complied with.

10.3 The Offer and all acceptances of it, the Forms of Acceptance and all contracts made pursuant to the Offer, and all actions taken or made or deemed to be taken or made pursuant to these terms will be governed by and construed in accordance with Hong Kong laws. Delivery of a Form of Acceptance will constitute submission to the non-exclusive jurisdiction of the Hong Kong courts.

10.4 Failure of any person to receive this Offer Document will not invalidate any aspect of the Offer. Extra prints of this Offer Document will be available for collection by any Qualifying Shareholder at the office of the Registrar and the principal place of business of the Company during office hours between the date of despatch of this Offer Document and the Latest Acceptance Time, and on the Stock Exchange's website at www.hkexnews.hk, and the Company's website at http://www.cmcdi.com.hk.

10.5 The right of acceptance of the Offer is personal to the Qualifying Shareholders and is not capable of being assigned or renounced in favour of others or otherwise transferred by the Qualifying Shareholders.

10.6 All questions as to the number of Shares repurchased, the price to be paid therefor, or any alteration of such price in accordance with the terms contained herein, and the validity, form, eligibility (including the time of receipt), acceptance or payment of any acceptance will be determined by the Company, which determination will be final and binding on all of the parties concerned (except as otherwise required under the applicable law or by the Executive). The Company reserves the absolute right to reject any or all acceptances it determines not to be in proper form or the acceptance or payment therefor which may, in the opinion of the Company, be unlawful. An acceptance may be rejected as invalid unless all defects or irregularities have been cured or waived. None of the Company or the Registrar or any other persons is or will be obliged to give notice of any defects or irregularities in acceptances, and none of them will incur any liability for failure to give any such notice.

10.7 All communications, notices, Forms of Acceptance, Title Documents and remittances to be delivered or sent by, to or from any Qualifying Shareholder will be delivered or sent by, to or from them, or their designated agents, at their risk and none of the Company, Anglo Chinese, the Registrar or any of their respective directors or any other persons involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may arise in respect thereof.

10.8 Should any Qualifying Shareholder require any assistance in completing the Form of Acceptance or have any enquiries regarding the procedures for tendering and settlement or any other similar aspect of the Offer, such Qualifying Shareholder may contact the Registrar at its hotline at (852) 2862 8555 during the period from 16 May 2013 (Thursday) to 21 June 2013 (Friday), being the closing date of the Offer (both days inclusive) between 9:00 a.m. and 6:00 p.m. from Mondays to Fridays (other than public holidays).

10.9 The Company reserves its right to waive any defects or irregularities in any Form of Acceptance received by the Registrar.

OVERSEAS SHAREHOLDERS

This Offer Document will not be filed under the applicable securities or equivalent legislation or rules of any jurisdictions other than Hong Kong.

As the Offer to the persons not resident in Hong Kong may be affected by the laws of the relevant jurisdictions, the Overseas Shareholders should inform themselves about and observe all applicable legal or regulatory requirements and, where considered necessary, seek legal advice.

Based on the Register as at the Latest Practicable Date, there were a total of three Overseas Shareholders with registered addresses in three jurisdictions outside Hong Kong, being Australia, the Netherlands and the PRC. The Board had made enquiries regarding the legal restrictions under the applicable securities legislation of such jurisdictions and the requirements of the relevant body or stock exchange with respect to the Offer in relation to such Overseas Shareholders. Each of the legal advisers to the Company in respect of the laws of the Netherlands and the PRC advised that no local regulatory compliance would be required to be made in such jurisdictions for the Company to extend the Offer to the Overseas Shareholders who resided in such jurisdictions. Accordingly, the Offer will be extended to the Overseas Shareholders with registered addresses in the Netherlands and the PRC.

The legal advisers to the Company on the laws of Australia advised that Australian regulatory requirements would be required to be adhered to if the Offer was made to the Overseas Shareholder whose registered address is in Australia. Based on the advice of the Company's legal advisers on the laws of Australia, the Board believes that the Company has complied with the relevant Australian regulatory requirements and accordingly, the Offer will also be extended to the Overseas Shareholder with registered address in Australia. There are therefore no Excluded Shareholders.

It is the responsibility of each Overseas Shareholder who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required in compliance with all necessary formalities or legal requirements and the payment of any transfer or other taxes due in such relevant jurisdictions. Any acceptance by any Shareholder will be deemed to constitute a representation and warranty from such Shareholder to the Company that the local laws and requirements have been complied with. Shareholders should consult their professional advisers if in doubt.

PROCEDURES FOR ACCEPTANCE AND SETTLEMENT

1. **General procedures for acceptance**

1.1 In order to accept the Offer, Qualifying Shareholders should complete and return the accompanying Form of Acceptance in accordance with the instructions set out in this Offer Document and the instructions printed on the Form of Acceptance. The instructions set out in this Offer Document should be read together with the instructions printed on the Form of Acceptance (which instructions form part of the terms of the Offer).

1.2 In order to be valid, the duly completed Form of Acceptance, together with the Title Documents in respect of such number of Shares which the relevant Qualifying Shareholder intends to accept under the Offer, should be delivered by post or by hand to the Registrar, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, in an envelope marked "**China Merchants China Direct Investments Limited — Repurchase Offer**" as soon as possible after receipt of the Form of Acceptance but in any event so as to reach the Registrar by no later than 4:00 p.m. on Friday, 21 June, 2013, or such later time and/or date as the Company may, with the prior consent of the Executive, decide and announce.

1.3 No Form of Acceptance received after the Latest Acceptance Time will be accepted.

1.4 If the Form of Acceptance is executed by a person other than the registered holder, appropriate evidence of authority (e.g. a grant of probate or certified copy of a power of attorney) must be delivered to the Registrar with the completed Form of Acceptance.

1.5 No acknowledgement of receipt of any Form of Acceptance or Title Documents will be given.

1.6 The Company reserves the right, at its sole discretion, to investigate, in relation to any acceptance, whether the representations and warranties set out in this appendix could have been properly given by the relevant Qualifying Shareholder and, if such investigation is made and as a result the Company determines (for any reason) that any such representation and/or warranty could not have been properly given, such acceptance may be rejected as invalid.

1.7 Only one Form of Acceptance may be submitted by each Qualifying Shareholder to the Registrar.

2. **Nominee holdings**

2.1 If the Title Documents in respect of a Qualifying Shareholder's Shares are in the name of a nominee company or a name other than his/her/its own, and such Qualifying Shareholder wishes to accept the Offer (either in full or in respect of part of his/her holding(s) of Shares), he/she/it must either:

(i) instruct the nominee company, or other nominee to accept the Offer on his/her/its behalf and requesting it to deliver the Form of Acceptance duly completed together with the Title Documents to the Registrar within such deadline (which may be earlier than the deadline specified under the Offer) as may be stipulated by the nominee; or

(ii) arrange for the Shares to be registered in his/her/its name by the Company through the Registrar, and send the Form of Acceptance duly completed together with the Title Documents to the Registrar; or

(iii) where his/her/its Shares have been maintained with his/her/its licensed securities dealer/custodian bank through CCASS, instruct his/her/its licensed securities dealer/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on his/her/its behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, that Qualifying Shareholder should check with his/her/its broker/custodian bank for the timing on processing of his/her instruction, and submit such instruction to his/her/its broker/custodian bank as required by them; or

(iv) if that Qualifying Shareholder's Shares have been lodged with his/her/its Investor Participant Account with CCASS, authorise his/her/its instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.

2.2 Qualifying Shareholders whose Shares are held by a nominee company should note that the nominee company will be regarded as a single Shareholder according to the Register.

2.3 Qualifying Shareholders whose Shares are held by nominee(s) should ensure that they undertake the above applicable course of action promptly so as to allow their nominee(s) sufficient time to complete the acceptance procedure on their behalf by the Latest Acceptance Time.

3. **Recent transfers**

If a Qualifying Shareholder has lodged transfer(s) of Shares for registration in his/her/its name and has not yet received the Share certificate(s) and wishes to accept the Offer, he/she/it should nevertheless complete the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by him/her by no later than the Latest Acceptance Time. Such action will be deemed to be an authority to the Company or its agent(s) to collect from the Company or the Registrar on his/her/its behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s), subject to the terms of the Offer, as if it/they was/were delivered to the Registrar with the Form of Acceptance.

4. **Lost or unavailable share certificates**

4.1 If the Title Document(s) is/are not readily available and/or is/are lost and a Qualifying Shareholder wishes to accept the Offer, the Form of Acceptance should nevertheless be completed and delivered to the Registrar so as to reach the Registrar by no later than the Latest Acceptance Time and the Title Documents should be forwarded to the Registrar as soon as possible thereafter and in any event before the Latest Acceptance Time.

4.2 Acceptances of the Offer may, at the discretion of the Company, be treated as valid even if not accompanied by the Title Documents but, in such cases, the consideration payable under the Offer will not be despatched until the relevant Title Document(s) has/have been received by the Registrar.

4.3 If a Qualifying Shareholder has lost his/her/its Title Document(s), he/she/it should write to the Registrar and request a form of letter of indemnity in respect of the lost Title Document(s) (as the case may be) which, when completed in accordance with the instructions given, should be returned, together with the Form of Acceptance and any Title Documents which are available, to the Registrar either by post or by hand, so to arrive not later than the Latest Acceptance Time. In such case, such Qualifying Shareholder will be informed of the fees payable to the Registrar for which he/she/it will be responsible.

5. **Additional Forms of Acceptance**

If a Qualifying Shareholder has lost the accompanying Form of Acceptance or such original has become unusable, and requires a replacement of such form, he/she should write to the Registrar or visit the Registrar at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, and request an additional Form of Acceptance. Alternatively, he/she could download it from the website of the Stock Exchange at www.hkexnews.hk or the Company's website at http://www.cmcdi.com.hk.

6. **Settlement**

6.1 Pursuant to Rule 20.1(b) of the Takeovers Code and given that the date of the EGM and the Final Closing Date will not be extended, the Shares represented by acceptances of the Offer shall be paid for by the Company as soon as possible but in any event within 7 business days following the close of the Offer.

6.2 Subject to the Offer becoming unconditional and provided that a duly completed Form of Acceptance accompanied by the relevant Title Documents are received by the Registrar by no later than the Latest Acceptance Time and are or are deemed to be in order, the Registrar will inform the relevant accepting Qualifying Shareholder by post of the repurchase of his/her/its Shares, including the number of Shares to be purchased from his/her/its Excess

Number of Shares, if any. At the same time, the Registrar will send, by ordinary post at that accepting Qualifying Shareholder's risk, a remittance for such total amount as is due to that accepting Qualifying Shareholder under the Offer, subject to deduction pursuant to paragraph 5.4 in the section headed "Terms and Conditions of the Offer" of this appendix, as soon as possible but in any event within 7 business days of the close of the Offer.

6.3 If the Offer does not become unconditional, the Title Documents will be returned and/or sent to each accepting Qualifying Shareholder (by ordinary post at that accepting Qualifying Shareholder's own risk) within 7 business days of the lapse of the Offer. Where any accepting Qualifying Shareholder has sent one or more transfer receipt(s) and in the meantime one or more Share certificate(s) has/have been collected on that accepting Qualifying Shareholder's behalf in respect thereof, that accepting Qualifying Shareholder will be sent (by ordinary post at his/her own risk) such Share certificate(s) in lieu of the transfer receipt(s).

6.4 If the Excess Number of Shares of an accepting Qualifying Shareholder has not been repurchased by the Company in full, the Title Documents in respect of the balance of such Shares or a replaced certificate therefor will be returned or sent to him/her/it by ordinary post at his/her own risk as soon as possible but in any event within 7 business days of the close of the Offer.

7. **New Shareholders**

Any Shareholder may collect a copy of this Offer Document from the Registrar at Rooms 1712-1716, 17th Floor Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong during business hours between 16 May, 2013 to the closing date of the Offer, both dates inclusive. Such Shareholder may also contact the Registrar (through the enquiry hotline referred to in paragraph 10.8 under the section headed "Terms and Conditions of the Offer" of this appendix) and request a copy of this Offer Document to be sent to his/her/its registered address as recorded in the Register.

EFFECT OF ACCEPTANCE OF THE OFFER BY THE QUALIFYING SHAREHOLDERS

Each Qualifying Shareholder by whom, or on whose behalf, a Form of Acceptance is executed irrevocably undertakes, represents, warrants and agrees to and with the Company and Anglo Chinese (so as to bind him/her/it, his/her/its personal representatives, heirs, successors and assigns) to the effect:

1. **Deeming provisions**

that the following provisions apply in the case of incorrectly completed, incomplete or illegible Form of Acceptance:

(a) if Box 1 of the Form of Acceptance is not completed at all or a mark other than a legible number is inserted, the Qualifying Shareholder is deemed to have accepted the Offer in regard to such number of Shares as shall be equal to the number of the Shares tendered by such Qualifying Shareholder, as supported by the Title Documents, subject to the scaling down mechanism; and

(b) if the total number of Shares inserted in Box 1 of the Form of Acceptance is greater than the Shares tendered by the relevant Qualifying Shareholder as supported by the Title Documents, such Qualifying Shareholder will be deemed to have accepted the Offer in regard to such number of Shares as shall be equal to the number of the Shares tendered by him/her/it, as supported by the Title Documents, subject to the scaling down mechanism;

2. **Representations and warranties**

that by delivery to the Registrar a duly completed Form of Acceptance accompanied with the Title Documents, the accepting Qualifying Shareholder represents and warrants to the Company and Anglo Chinese:

(a) that he/she/it owns and has full power and authority to tender, sell, assign and transfer all the Shares (together with all rights attaching thereto) specified in such Form of Acceptance for repurchase and that the Shares are fully paid, free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto on or after the Final Closing Date; and

(b) that if he/she is a resident in or a citizen or it is a company incorporated under the laws of a jurisdiction outside Hong Kong, he/she/it has fully observed any applicable legal or other requirements and that the Offer may be accepted by him/her/it lawfully under the laws of the relevant jurisdiction;

3. **Appointment and authority**

that the execution of the Form of Acceptance constitutes:

(a) the irrevocable appointment of any director or officer of the Company or Anglo Chinese, or such other person as any of them may direct, as such accepting Qualifying Shareholder's agent (the "**Agent**"); and

(b) an irrevocable instruction to the Agent to complete and execute the Form of Acceptance and/or any other document at the Agent's discretion on behalf of such accepting Qualifying Shareholder and to do any other acts or things as may in the opinion of the Agent be necessary, expedient or desirable for the purpose of the Company repurchasing some or all of the Shares (as the Company may in its absolute discretion determine) of such accepting Qualifying Shareholder;

4. **Undertakings**

that by duly executing the Form of Acceptance (including the deemed acceptance situation as described in "Deeming provisions" above, he/she/it:

(a) agrees to ratify and confirm each and every act or thing which may be done or effected by the Company or any Agent in the proper exercise of its or his/her/its powers and/or authorities under the terms of the Offer;

(b) undertakes to deliver to the Registrar the Title Documents in respect of the Shares for which the Offer is (or is deemed to be) accepted, or an indemnity or indemnities acceptable to the Company in lieu thereof, or to procure the delivery of such document(s) to such person as soon as possible thereafter and, in any event, no later than the Latest Acceptance Time;

(c) accepts that the provisions of the Form of Acceptance and the other terms and conditions in this Offer Document are deemed to be incorporated into the terms and conditions of the Offer;

(d) undertakes to execute any further documents, take any further action and give any further assurances which may be required in connection with his/her/its acceptance of the Offer as the Company may consider to be necessary, expedient or desirable, including without limitation, to complete the repurchase of any Shares in respect of which he/she/it has accepted or is deemed to have accepted the Offer free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto on or after the date when the Offer Period begins and/or to perfect any of the authorities expressed to be given hereunder;

(e) authorises the Company or the Agent to procure the despatch by post of the consideration to which he/she/it is entitled at his/her/its risk to the first-named holder at his/her/its registered address in Box 3 of the Form of Acceptance; and

(f) submits to the jurisdiction of the courts of Hong Kong in relation to all matters arising out of or in connection with the Offer or this Offer Document.

TAXATION

Qualifying Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offer. It is emphasised that none of the Company, its ultimate beneficial owners and parties acting in concert with any of them, Anglo Chinese, Altus Capital, the Registrar or any of their respective directors or any persons involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Offer.

ANNOUNCEMENTS

1. Following the EGM at which the Offer is to be approved by the Shareholders, the Company will announce through the Stock Exchange's website the results of the EGM and whether or not the Offer has become unconditional.

2. By 6:00 p.m. (or such later time as the Executive may permit) on the Final Closing Date, the Company will inform the Executive and the Stock Exchange of the closing and the results of the Offer and will publish an announcement through the website of the Stock Exchange by 7:00 p.m. on such date stating that the Offer has closed. A draft of such announcement must be submitted

to the Executive and the Stock Exchange by 6:00 p.m. for clearance and publication of such announcement duly cleared must be made through the website of the Stock Exchange by 7:00 p.m. on the same day. The announcement will (except in the case of lapse of the Offer) state the following:

(i) the total number of Shares and rights over Shares for which acceptances of the Offer have been received;

(ii) the total number of Shares and rights over Shares held, controlled or directed by the Company or any persons acting in concert with it before the Offer Period; and

(iii) the total number of Shares and rights over Shares acquired or agreed to be acquired during the Offer Period by the Company or any persons acting in concert with it.

The announcement must include details of any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in the Company which the Company or any persons acting in concert with the Company has borrowed or lent, save for any borrowed Shares which have been either on-lent or sold. The announcement must specify the percentages of the relevant classes of Share capital, and the percentages of voting rights, represented by these numbers.

3. In calculating the total number of the Shares represented by the Forms of Acceptance, acceptances which are not in all respects in order or are subject to verification will be stated separately.

INTERPRETATION

1. A reference in this Offer Document to a Qualifying Shareholder includes a reference to a person who, by reason of an acquisition or transfer of Shares, is entitled to execute a Form of Acceptance and in the event of more than one person executing a Form of Acceptance, the provisions of this Offer Document apply to them jointly and severally.

2. A reference in this Offer Document and the Form of Acceptance to the masculine gender includes the feminine and neuter genders, and a reference to the singular includes the plural, and vice versa.

1. FINANCIAL SUMMARY

The following is a summary of (i) the audited financial results of the Group for each of the three financial years ended 31 December, 2010, 2011 and 2012; and (ii) the audited assets and liabilities as at 31 December, 2010, 2011 and 2012 as extracted from the published financial statements of the Group for the relevant years. The auditors of the Company did not issue any qualified opinion on the financial statements of the Group for each of the three years ended 31 December, 2010, 2011 and 2012. The Company had no items which are exceptional or extraordinary because of size, nature or incidence, and a cash dividend of US$14,914,560, US$12,089,376 and US$9,387,282 had been paid by the Company for each of the three years ended 31 December, 2010, 2011 and 2012, respectively.

The Company does not have any minority interest and the turnover figure is not applicable to the Company, as it is an investment company.

(i) Consolidated Statements of Comprehensive Income

	2012	2011	2010
	US$	*US$*	*US$*
Change in fair value of financial assets at fair value through profit or loss	23,636,644	(19,745,991)	(140,043,610)
Investment income	13,679,480	17,330,254	13,088,836
Other gains and losses	172,122	499,670	179,195
Administrative expenses	(11,789,508)	(15,762,196)	(26,733,102)
Share of results of associates	(1,411,813)	58,112	2,203,129
Gain on deemed disposal of associate	—	—	2,523,001
Profit (loss) before taxation	24,286,925	(17,620,151)	(148,782,551)
Taxation	(14,403,677)	(2,207,479)	36,723,056
Profit (loss) for the year	9,883,248	(19,827,630)	(112,059,495)
Other comprehensive income (loss)			
Exchange difference arising on translation	959,878	21,294,983	14,899,642
Share of change in translation reserve of associates	49,432	121,604	1,386,656
Change in fair value of available-for-sale financial assets	(13,430)	4,694	23,666
Other comprehensive income for the year	995,880	21,421,281	16,309,964
Total comprehensive income for the year	10,879,128	1,593,651	(95,749,531)
Profit (loss) for the year attributable to owners of the Company	9,883,248	(19,827,630)	(112,059,495)
Total comprehensive income attributable to owners of the Company	10,879,128	1,593,651	(95,749,531)
Basic earnings (loss) per share	0.064	(0.132)	(0.751)
Cash dividend paid	9,387,282	12,089,376	14,914,560
Dividend per share	0.05	0.04	0.04

(ii) Consolidated Statements of Financial Position

	2012 *US$*	2011 *US$*	2010 *US$*
Non-current assets			
Interests in associates	21,237,267	22,890,874	22,382,129
Financial assets at fair value through profit or loss	252,189,653	219,725,630	207,681,626
Available-for-sale financial assets	—	726,698	722,004
	273,426,920	243,343,202	230,785,759
Current assets			
Financial assets at fair value through profit or loss	236,147,975	215,401,697	307,667,689
Available-for-sale financial assets	713,268	—	—
Other receivables	709,793	1,612,182	299,032
Bank balances and cash	57,778,638	95,824,723	63,282,735
	295,349,674	312,838,602	371,249,456
Current liabilities			
Other payables	22,654,936	21,050,450	34,857,649
Taxation payable	3,943,887	3,999,297	5,015,328
	26,598,823	25,049,747	39,872,977
Net current assets	268,750,851	287,788,855	331,376,479
Total assets less current liabilities	542,177,771	531,132,057	562,162,238
Non-current liabilities			
Financial liabilities at fair value through profit or loss	1,192,063	1,268,441	661,699
Deferred taxation	62,583,346	52,953,100	74,094,298
	63,775,409	54,221,541	74,755,997
Net assets	478,402,362	476,910,516	487,406,241
Capital and reserves			
Share capital	15,834,342	15,149,904	14,914,560
Share premium and reserves	237,712,531	228,287,230	202,149,946
Retained profits	224,855,489	233,473,382	270,341,735
Equity attributable to owners of the Company	478,402,362	476,910,516	487,406,241
Net asset value per share	3.021	3.148	3.268

2. AUDITED FINANCIAL STATEMENTS

The following is the full text of the audited financial statements of the Group for the year ended 31 December, 2012 as extracted from the annual report of the Company for the year ended 31 December, 2012.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	**2012**	**2011**
		US$	*US$*
Change in fair value of financial assets at fair value through profit or loss		23,636,644	(19,745,991)
Investment income	6	13,679,480	17,330,254
Other gains and losses		172,122	499,670
Administrative expenses		(11,789,508)	(15,762,196)
Share of results of associates	15	(1,411,813)	58,112
Profit (loss) before taxation	8	24,286,925	(17,620,151)
Taxation	11	(14,403,677)	(2,207,479)
Profit (loss) for the year		9,883,248	(19,827,630)
Other comprehensive income (loss)			
Exchange difference arising on translation		959,878	21,294,983
Share of change in translation reserve of associates		49,432	121,604
Change in fair value of available-for-sale financial assets		(13,430)	4,694
Other comprehensive income for the year		995,880	21,421,281
Total comprehensive income for the year		10,879,128	1,593,651
Profit (loss) for the year attributable to owners of the Company		9,883,248	(19,827,630)
Total comprehensive income attributable to owners of the Company		10,879,128	1,593,651
Basic earnings (loss) per share	13	0.064	(0.132)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	**2012** *US$*	**2011** *US$*
Non-current assets			
Interests in associates	15	21,237,267	22,890,874
Financial assets at fair value through profit or loss	16	252,189,653	219,725,630
Available-for-sale financial assets	17	—	726,698
		273,426,920	243,343,202
Current assets			
Financial assets at fair value through profit or loss	16	236,147,975	215,401,697
Available-for-sale financial assets	17	713,268	—
Other receivables	19	709,793	1,612,182
Bank balances and cash	20	57,778,638	95,824,723
		295,349,674	312,838,602
Current liabilities			
Other payables	21	22,654,936	21,050,450
Taxation payable	22	3,943,887	3,999,297
		26,598,823	25,049,747
Net current assets		268,750,851	287,788,855
Total assets less current liabilities		542,177,771	531,132,057
Non-current liabilities			
Financial liabilities at fair value through profit or loss	23	1,192,063	1,268,441
Deferred taxation	24	62,583,346	52,953,100
		63,775,409	54,221,541
Net assets		478,402,362	476,910,516
Capital and reserves			
Share capital	25	15,834,342	15,149,904
Share premium and reserves		237,712,531	228,287,230
Retained profits		224,855,489	233,473,382
Equity attributable to owners of the Company		478,402,362	476,910,516
Net asset value per share	27	3.021	3.148

The consolidated financial statements on pages II-4 to II-48 were approved and authorised for issue by the Board of Directors on 27 March 2013 and are signed on its behalf by:

Mr. HONG Xiaoyuan
Director

Ms. ZHOU Linda Lei
Director

STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 US$	2011 US$
Non-current assets			
Investments in subsidiaries	14	28,573,279	26,050,007
Financial assets at fair value through profit or loss	16	52,994,347	40,604,327
Amounts due from subsidiaries	18	36,825,730	66,953,575
		118,393,356	133,607,909
Current assets			
Amounts due from subsidiaries	18	189,553,092	190,409,417
Other receivables	19	25,891	24,255
Bank balances and cash	20	6,707,115	2,901,837
		196,286,098	193,335,509
Current liabilities			
Amounts due to subsidiaries	18	4,948,995	4,842,326
Other payables	21	3,110,713	2,710,492
Taxation payable	22	3,842,500	3,842,500
		11,902,208	11,395,318
Net current assets		184,383,890	181,940,191
Total assets less current liabilities		302,777,246	315,548,100
Non-current liabilities			
Financial liabilities at fair value through profit or loss	23	1,192,063	1,268,441
Deferred taxation	24	3,769,561	2,530,559
		4,961,624	3,799,000
Net assets		297,815,622	311,749,100
Capital and reserves			
Share capital	25	15,834,342	15,149,904
Share premium and reserves	26	281,981,280	296,599,196
Equity attributable to owners of the Company		297,815,622	311,749,100

Mr. HONG Xiaoyuan
Director

Ms. ZHOU Linda Lei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Share capital	Share premium	Translation reserve	General reserve	Available-for-sale financial assets reserve	Retained profits	Equity attributable to owners of the Company
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
Balance at 1 January 2011	14,914,560	109,493,184	86,492,840	6,139,057	24,865	270,341,735	487,406,241
Loss for the year	—	—	—	—	—	(19,827,630)	(19,827,630)
Exchange difference on translation	—	—	21,294,983	—	—	—	21,294,983
Share of change in translation reserve of associates	—	—	121,604	—	—	—	121,604
Change in fair value of available-for-sale financial assets	—	—	—	—	4,694	—	4,694
Total comprehensive income (loss) for the year	—	—	21,416,587	—	4,694	(19,827,630)	1,593,651
2010 final and special dividends paid							
- Cash	—	—	—	—	—	(12,089,376)	(12,089,376)
- Scrip alternative	235,344	4,081,296	—	—	—	(4,316,640)	—
Transfer to general reserve	—	—	—	634,707	—	(634,707)	—
Balance at 31 December 2011	15,149,904	113,574,480	107,909,427	6,773,764	29,559	233,473,382	476,910,516
Balance at 1 January 2012	15,149,904	113,574,480	107,909,427	6,773,764	29,559	233,473,382	476,910,516
Profit for the year	—	—	—	—	—	9,883,248	9,883,248
Exchange difference on translation	—	—	959,878	—	—	—	959,878
Share of change in translation reserve of associates	—	—	49,432	—	—	—	49,432
Change in fair value of available-for-sale financial assets	—	—	—	—	(13,430)	—	(13,430)
Total comprehensive income (loss) for the year	—	—	1,009,310	—	(13,430)	9,883,248	10,879,128
2011 final and special dividends paid							
- Cash	—	—	—	—	—	(9,387,282)	(9,387,282)
- Scrip alternative	684,438	8,108,164	—	—	—	(8,792,602)	—
Transfer to general reserve	—	—	—	321,257	—	(321,257)	—
Balance at 31 December 2012	15,834,342	121,682,644	108,918,737	7,095,021	16,129	224,855,489	478,402,362

The general reserve represents the general reserve fund set aside by subsidiaries in accordance with relevant laws and regulations of The People's Republic of China ("**PRC**"), which is not available for distribution.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	2012	2011
	US$	*US$*
OPERATING ACTIVITIES		
Profit (loss) before taxation	24,286,925	(17,620,151)
Adjustments for:		
Share of results of associates	1,411,813	(58,112)
Other gains and losses	—	(309,007)
Interest income	(1,692,195)	(2,085,396)
Dividend income from equity investments	(11,987,285)	(15,244,858)
Change in fair value of financial assets designated at fair value through profit or loss	(25,714,856)	34,966,753
Operating cash flows before movements in working capital	(13,695,598)	(350,771)
(Increase) decrease in financial assets at fair value through profit or loss	(26,589,016)	67,713,173
Decrease (increase) in other receivables	69,001	(20,084)
Increase (decrease) in other payables	1,158,537	(13,692,997)
Increase in financial liabilities at fair value through profit or loss	369,571	492,540
Cash (used in) generated from operations	(38,687,505)	54,141,861
Interest received	2,764,520	855,432
Dividend received	11,987,285	15,244,858
Income taxes paid	(4,770,851)	(27,563,727)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	(28,706,551)	42,678,424
CASH USED IN INVESTING ACTIVITY		
Advance to associates	—	(20,022)
CASH USED IN FINANCING ACTIVITY		
Dividend paid	(9,387,282)	(12,089,376)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(38,093,833)	30,569,026
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	95,824,723	63,282,735
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	47,748	1,972,962
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	57,778,638	95,824,723

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

1. GENERAL INFORMATION

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the Annual Report.

The Company acts as an investment holding company. The activities of the principal subsidiaries and associates are set out in notes 32 and 15 respectively.

The functional currency of the Company is Renminbi ("**RMB**"), for the purpose of convenience of the consolidated financial statements users, the consolidated financial statements are presented in United States dollars ("**USD**").

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group and the Company have applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

HKFRS 7 (Amendments)	Financial instruments: Disclosures — Transfers of financial assets
HKAS 12 (Amendments)	Deferred tax — Recovery of underlying assets

The application of the above amendments to HKFRSs in the current year has had no material effect on the Group's and the Company's financial performance and positions for the current and prior years and/or on disclosures set out in these consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group and the Company have not early applied the following new and revised Standards, Amendments and Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Annual improvements to HKFRSs 2009 — 2011 Cycle[2]
HKFRS 7 (Amendments)	Financial instruments: Disclosures — Offsetting financial assets and financial liabilities[2]
HKFRS 9 and 7 (Amendments)	Mandatory effective date of HKFRS 9 and transition disclosures[4]
HKFRS 10, 12 and HKAS 27 (Amendments)	Investment entities[3]
HKFRS 9	Financial instruments[4]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]

HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 10, 11 and 12 (Amendments)	Consolidated financial statements, joint arrangements and disclosure of interest in other entities: Transition guidance[2]
HKFRS 13	Fair value measurement[2]
HKAS 1 (Amendments)	Presentation of financial statements — Presentation of items of other comprehensive income[1]
HKAS 19 (as revised in 2011)	Employee benefits[2]
HKAS 27 (as revised in 2011)	Separate financial statements[2]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[2]
HKAS 32 (Amendments)	Financial instruments: Presentation — Offsetting financial assets and financial liabilities[3]
HK(IFRIC) — Int 20	Stripping costs in the production phase of a surface mine[2]

1 Effective for annual periods beginning on or after 1 July 2012.

2 Effective for annual periods beginning on or after 1 January 2013.

3 Effective for annual periods beginning on or after 1 January 2014.

4 Effective for annual periods beginning on or after 1 January 2015.

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with early application permitted.

Based on the Group's financial assets and financial liabilities as at 31 December 2012, the Group anticipates that the application of HKFRS 9 will have no material impact on amounts reported in respect of the Group's financial assets and financial liabilities.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities*

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities.

Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted.

If the Company is qualified as an investment entity under the amendments to HKFRS 10, instead of consolidating its subsidiaries, the Company may be required to measure its interests in subsidiaries at fair value through profit or loss. The Group is in the process of making an assessment of the impact of these amendments to HKFRSs.

HKFRS 13 *Fair Value Measurement*

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with early application permitted. The Group is in the process of making an assessment of the impact of HKFRS 13.

The Group is in the process of making an assessment of the impact of other new and revised HKFRSs.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All inter-company transactions, balances, income and expenses are eliminated on consolidation.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost, less any identified impairment loss.

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost and adjusted thereafter to recognise the group's share of the profit or loss and other comprehensive income of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories — financial assets at FVTPL, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets at FVTPL represent those designated at FVTPL upon initial recognition.

A financial asset may be designated at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated at FVTPL.

At the end of the reporting period subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with any gains or losses arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of the reporting period subsequent to initial recognition, loans and receivables (other receivables, bank balances and amounts due from subsidiaries and associates) are carried at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

At the end of the reporting period subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in other comprehensive income and accumulated under the heading of available-for-sale financial assets reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in available-for- sale financial assets reserve is reclassified to profit or loss (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of amounts due from subsidiaries and associates where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an amount due from a subsidiary or an associate is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified either as financial liability or as equity according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs. The Group's financial liabilities are generally classified into financial liabilities designated at FVTPL and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities at FVTPL

A financial liability other than a financial liability held for trading may be designated at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities including other payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Financial assets are derecognised only when the contractual rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when, and only when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Revenue recognition

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments including financial assets at FVTPL is recognised when the shareholders' rights to receive payment have been established.

Foreign currencies

In preparing the financial statements of each individual entity of the Group, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the respective functional currency at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. USD) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items of income or expense that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group as a parent is able to control the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

4. CAPITAL RISK MANAGEMENT

The Group and the Company manage the capital to ensure that entities in the Group and the Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group and the Company is equity attributable to shareholders of the Company, comprising issued capital, reserves and retained profits as disclosed in the consolidated statement of changes in equity.

The Directors review the capital structure by considering the cost of capital and the risks associated with capital. In view of this, the Group will balance its overall capital structure through new shares issues as well as the issue of new debt. The Group's overall strategy remains unchanged throughout the year.

5. FINANCIAL INSTRUMENTS

Categories of financial instruments

	THE GROUP		THE COMPANY	
	2012	**2011**	**2012**	**2011**
	US$	*US$*	*US$*	*US$*
Financial assets				
Designated at FVTPL	488,337,628	435,127,327	52,994,347	40,604,327
Available-for-sale	713,268	726,698	—	—
Loans and receivables (including cash and cash equivalents)	58,466,044	97,414,688	240,364,394	260,266,867
Financial liabilities				
Amortised cost	3,661,353	3,023,624	8,059,708	7,552,818
Designated at FVTPL	1,192,063	1,268,441	1,192,063	1,268,441

Financial risk management objective and policies

The Group's major financial instruments include financial assets at FVTPL, available-for-sale financial assets, other receivables, bank balances and cash, other payables and financial liabilities at FVTPL. The Company's major financial instruments are the same as the Group, except it further includes amounts due from/to subsidiaries. Details of these financial instruments are disclosed in respective notes. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

Currency risk

The Group and the Company undertake certain transactions which expose the Group to foreign currency risk. The related balances include amounts due from/to subsidiaries, other receivables, bank balances and cash and other payables, denominated in a currency other than the functional currency, and so exposures to exchange rate fluctuations arise.

The Group and the Company currently do not have any foreign currency hedging policy. However, the Group and the Company monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's and the Company's monetary assets and monetary liabilities which are denominated in a currency other than the functional currency of the relevant group entities at the reporting date are as follows:

	THE GROUP	
	2012	**2011**
	US$	*US$*
Monetary assets		
United States Dollar	6,608,996	424,534
Hong Kong Dollar	144,639	2,586,719
Monetary liabilities		
United States Dollar	4,008,503	3,640,584
Hong Kong Dollar	294,273	338,349

	THE COMPANY	
	2012	**2011**
	US$	*US$*
Monetary assets		
United States Dollar	36,166,929	38,072,887
Hong Kong Dollar	124,856	2,502,404
Monetary liabilities		
United States Dollar	8,957,498	8,821,259
Hong Kong Dollar	294,273	—

Foreign currency sensitivity

For the currency risk of the Group, if the exchange rate of RMB against USD had increased/decreased by 5%, the Group's result for the year would decrease/increase by US$130,000 (2011: increase/decrease by US$161,000).

For the currency risk of the Company, if the exchange rate of RMB against USD had increased/decreased by 5%, the Company's result for the year would decrease/increase by US$1,364,000 (2011: increase/decrease by US$1,466,000).

For the Group and the Company, no sensitivity analysis has been prepared between RMB and HKD as the amount involved is not significant.

Interest rate risk

The Group and the Company are exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets (mainly short-term bank deposits at market rate) at market rates.

The Group is also exposed to fair value interest rate risk on certain debt securities (see note 17). The Group manages such interest rate exposure through the Investment Manager, the Group considers that there is no significant impact on the results of the Group arising from the volatility of interest rates.

Interest rate sensitivity

No sensitivity analyses on cash flow interest rate risk is prepared as the Group's and the Company's interest bearing bank balances at the end of the reporting period are mainly at fixed rate.

Price risk

The Group and the Company are exposed to price risk through its investments in note 16 and financial liabilities in note 23 which are designated at FVTPL.

Price sensitivity

The sensitivity analyses below have been determined based on the exposure to price risks at the end of the reporting period.

If the market bid prices of the listed equity securities had been 20% (2011: 20%) higher/lower, the Group's result for the year would increase/decrease by US$33,651,000 (2011: decrease/increase by US$31,104,000). This is mainly attributable to the changes in fair values of the listed equity investments held by the Group.

If the fair value of the investments other than listed equity securities had been 20% (2011: 20%) higher/lower, the Group's result for the year would increase/decrease by US$37,827,000 (2011: decrease/increase by US$33,398,000). This is mainly attributable to the changes in fair values of the investments held by the Group.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company.

The Group's and the Company's financial assets include debt and equity investments, other receivables and bank balances and cash, and the Company also has financial assets on amounts due from subsidiaries.

The Company's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting date in relation to each class of recognised financial assets is the carrying amount of those assets stated in the consolidated and the Company's statement of financial position, which is net of any allowances for losses.

Although the bank balances are concentrated on certain counterparties, the credit risk on liquid funds is limited because the counterparties are banks with good credit ratings assigned by international credit rating agencies. In this regards, the Directors consider that the Group's and the Company's credit risk on such authorised institutions is low.

The Group and the Company have concentration of credit risk in a single geographic area in the PRC.

Liquidity risk

Liquidity risk is the risk that the Group and the Company are unable to meet their payment obligations associated with its financial liabilities when they fall due. The Group and the Company manage liquidity risk by maintaining adequate reserves, as well as continuously monitoring forecast and actual cash flows.

Internally generated cash flow is the main source of funds to finance the operations of the Group and the Company. The Group and the Company regularly review the major funding positions to ensure adequate financial resources are available to meet their respective financial obligations. In the opinion of the management, taking into account of the availability of marketable securities that can be disposed of by a subsidiary of the Company, the Company is able to meet its financial obligations when they fall due.

The Group's financial liabilities represent other payables (management fee accruals and business tax accruals) and financial liabilities at FVTPL related to sub-participation agreements. The Company's financial liabilities represent other payables (management fee accruals), financial liabilities at FVTPL and amounts due to subsidiaries. Apart from financial liabilities at FVTPL which is repayable upon realisation of the corresponding investments, they are all interest free and repayable on demand. In the opinion of the management, no maturity profile is required to be prepared by virtue of its nature.

Fair value of financial instruments

The fair value of financial assets designated at FVTPL are determined with reference to quoted market bid prices and generally accepted pricing models.

The Directors consider that the carrying amount of financial assets and financial liabilities at amortised cost recorded in the consolidated statement of financial position and the Company's statement of financial position approximates their fair values.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

				2012
	Level 1	**Level 2**	**Level 3**	**Total**
	US$	*US$*	*US$*	*US$*
Financial assets at FVTPL				
Financial assets designated at FVTPL	236,147,975	—	252,189,653	488,337,628
Available-for-sale financial assets				
Bonds	—	—	713,268	713,268
Total	236,147,975	—	252,902,921	489,050,896
Financial liabilities at FVTPL				
Financial liabilities designated at FVTPL	—	—	1,192,063	1,192,063
Total	—	—	1,192,063	1,192,063

	Level 1	Level 2	Level 3	2011 Total
	US$	*US$*	*US$*	*US$*
Financial assets at FVTPL				
Financial assets designated at FVTPL	215,401,697	—	219,725,630	435,127,327
Available-for-sale financial assets				
Bonds	—	—	726,698	726,698
Total	215,401,697	—	220,452,328	435,854,025
Financial liabilities at FVTPL				
Financial liabilities designated at FVTPL	—	—	1,268,441	1,268,441
Total	—	—	1,268,441	1,268,441

Reconciliation of Level 3 fair value measurements of financial assets:

	Designated at FVTPL	Available-for-sale	2012 Total
	US$	*US$*	*US$*
Opening balance	219,725,630	726,698	220,452,328
Gains or losses recognised in:			
Profit or loss — unrealised	(19,784,123)	—	(19,784,123)
Other comprehensive income	—	(13,430)	(13,430)
Exchange differences arising on translation	398,566	—	398,566
Purchases	51,849,580	—	51,849,580
Closing balance	252,189,653	713,268	252,902,921

	Designated at FVTPL *US$*	Available-for-sale *US$*	2011 Total *US$*
Opening balance	207,681,626	722,004	208,403,630
Gains or losses recognised in:			
Profit or loss — realised	3,403,632	—	3,403,632
Profit or loss — unrealised	(13,691,743)	—	(13,691,743)
Other comprehensive income	—	4,694	4,694
Exchange differences arising on translation	8,858,210	—	8,858,210
Purchases	18,561,858	—	18,561,858
Disposals	(5,087,953)	—	(5,087,953)
Closing balance	219,725,630	726,698	220,452,328

Reconciliation of Level 3 fair value measurements of financial liabilities:

	2012 *US$*	2011 *US$*
Designated at FVTPL		
Opening balance	1,268,441	661,699
Additions	427,590	508,706
Disposals	(51,010)	—
Change in fair value	(452,958)	98,036
Closing balance	1,192,063	1,268,441

Significant assumptions used in determining Level 3 fair value of financial assets

The consolidated financial statements include holdings in unlisted equities which are measured at fair value (note 16). Fair value is estimated using generally accepted pricing models, which included some assumptions that are not supportable by observable market rates. In determining the fair value, certain unobservable inputs (such as market multiples) and a risk adjusted discount factor were used. The total amount of the loss on change in fair value estimated using a valuation technique that was recognised in profit or loss during the year was US$19,784,123 (2011: US$13,691,743), which is related to financial assets held at the end of the reporting period.

6. INVESTMENT INCOME

Investment income represents the income received and receivable on investments during the year as follows:

	THE GROUP	
	2012	**2011**
	US$	*US$*
Interest income on		
Bank deposits	1,651,595	2,044,796
Available-for-sale financial assets - listed	40,600	40,600
	1,692,195	2,085,396
Dividend income on financial assets designated at FVTPL		
Listed investments	6,613,938	5,665,388
Unlisted investments	5,373,347	9,579,470
	11,987,285	15,244,858
Total	13,679,480	17,330,254

The following is an analysis of investment income earned on financial assets, by category of asset.

	THE GROUP	
	2012	**2011**
	US$	*US$*
Available-for-sale financial assets	40,600	40,600
Loans and receivables (including bank balances and cash)	1,651,595	2,044,796
Total interest income for financial assets not designated at FVTPL	1,692,195	2,085,396
Investment income earned on financial assets designated at FVTPL	11,987,285	15,244,858
Total	13,679,480	17,330,254

7. SEGMENTAL INFORMATION

The Group's reportable segments, based on information reported to the executive management for the purposes of resources allocation and performance assessment (since the size of investments in energy and resources, agriculture, real estate and other types of investing activities is not significant, these investments are aggregated and reported as "Others"), are as follows:

(a) Financial services: investees engaged in financial services activities.

(b) Culture and media: investees engaged in culture and media activities.

(c) Manufacturing: investees engaged in manufacturing of products activities.

(d) Information technology: investees engaged in information technology activities.

(e) Others: investees engaged in investments related to energy and resources, agriculture, real estate activities and other types of investing activities.

Information regarding the above segments is reported below:

The following is an analysis of the Group's reportable and operating segments for the year under review.

For the year ended 31 December 2012

	Financial services	Culture and media	Manufacturing	Information technology	Others	Total
	US$	*US$*	*US$*	*US$*	*US$*	*US$*
Change in investment value	69,050,900	(41,040,366)	(10,507,352)	4,563,169	158,480	22,224,831
Dividend income on financial assets designated at FVTPL	10,620,428	1,366,639	—	—	218	11,987,285
Interest income from available-for-sale financial assets	—	—	—	—	40,600	40,600
Other gains and losses	—	143,559	—	4,288	—	147,847
Segment profit (loss)	79,671,328	(39,530,168)	(10,507,352)	4,567,457	199,298	34,400,563
Unallocated:						
- Administrative expenses						(11,789,508)
- Interest income on bank deposits						1,651,595
- Other gains and losses						24,275
Profit before taxation						24,286,925

For the year ended 31 December 2011

	Financial Services	Culture and media	Manufacturing	Information technology	Others	Total
	US$	*US$*	*US$*	*US$*	*US$*	*US$*
Change in investment value	(31,467,745)	9,302,832	(1,923,863)	2,028,429	2,372,468	(19,687,879)
Dividend income on financial assets designated at FVTPL	12,115,797	3,121,613	—	—	7,448	15,244,858
Interest income from available-for-sale financial assets	—	—	—	—	40,600	40,600
Other gains and losses	7,518	53,627	309,007	—	—	370,152
Segment (loss) profit	(19,344,430)	12,478,072	(1,614,856)	2,028,429	2,420,516	(4,032,269)
Unallocated:						
- Administrative expenses						(15,762,196)
- Interest income on bank deposits						2,044,796
- Other gains and losses						129,518
Loss before taxation						(17,620,151)

Segment profit (loss) represents the change in investment value (including change in fair value of financial assets at FVTPL and share of results of associates) and the corresponding dividend income, interest income and other gains and losses earned by each segment without allocation of central administrative expenses, fees to the Investment Manager, interest income on bank deposits and certain other gains and losses. This is the measure reported to the executive management for the purposes of resources allocation and performance assessment. No separate segment revenue (i.e. investment income) is disclosed as it had been presented in the computation of segment profit (loss).

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	2012	2011
	US$	*US$*
Segment assets		
Financial services	347,435,860	298,012,911
Culture and media	96,602,886	112,348,567
Manufacturing	37,578,686	28,769,052
Information technology	21,222,433	16,600,803
Others	7,911,903	3,013,566
Total segment assets	510,751,768	458,744,899
Unallocated	58,024,826	97,436,905
Consolidated assets	568,776,594	556,181,804
Segment liabilities		
Financial services	5,654	5,214
Culture and media	556,780	833,748
Manufacturing	181,422	115,342
Information technology	325,149	269,106
Others	123,058	45,031
Total segment liabilities	1,192,063	1,268,441
Unallocated	89,182,169	78,002,847
Consolidated liabilities	90,374,232	79,271,288

For the purposes of monitoring segment performance and allocating resources between segments:

All assets are allocated to reportable segments other than certain other receivables, bank balances and cash, and all liabilities are allocated to reportable segments other than other payables, current and deferred tax liabilities.

During the year, the Group was principally involved in investing in companies with significant business involvement in the PRC, hence no geographical information in relation to the investing activities are presented.

8. PROFIT (LOSS) BEFORE TAXATION

	THE GROUP	
	2012	**2011**
	US$	*US$*
Profit (loss) before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	135,724	175,060
Net foreign exchange gains	(24,275)	(129,509)
Investment Manager's management fee	9,508,196	9,869,331
Directors' fees	134,090	107,772
Share of tax of associates (included in share of results of associates)	(114,674)	69,310

9. DIRECTORS' EMOLUMENTS

The Group has no chief executives and the Directors' fees paid or payable to each of the 12 (2011: 13) Directors were as follows:

	THE GROUP	
	2012	**2011**
	US$	*US$*
Executive Directors:		
Mr. LI Yinquan	—	—
Mr. HONG Xiaoyuan	—	—
Mr. CHU Lap Lik, Victor	—	—
Ms. ZHOU Linda Lei	—	—
Mr. TSE Yue Kit	—	—
Ms. KAN Ka Yee, Elizabeth *(Alternate Director)*	—	—
	—	—
Non-executive Directors:		
Mr. KE Shifeng	25,787	20,528
Independent Non-executive Directors:		
Mr. LIU Baojie	25,787	20,528
Mr. XIE Tao*	25,787	3,464
Mr. ZHU Li*	25,787	3,464
Mr. TSANG Wah Kwong**	9,282	Not applicable
Mr. LI Kai Cheong, Samson#	21,660	25,660
Mr. KUT Ying Hay##	Not applicable	17,064
Mr. WANG Jincheng##	Not applicable	17,064
	108,303	87,244
Total	134,090	107,772

* The Directors were appointed during the year 2011.

** The Director was appointed during the year 2012.

\# The Director resigned during the year 2012.

\#\# The Directors resigned during the year 2011.

10. EMPLOYEES' EMOLUMENTS

The six (2011: seven) highest paid individuals in the Group were all Directors of the Company and details of their emoluments are included in note 9 above.

11. TAXATION

The tax (charge) credit for the year comprises:

	THE GROUP	
	2012	**2011**
	US$	*US$*
The Company and its subsidiaries		
Current tax:		
PRC Enterprise Income Tax	(4,913,290)	(26,042,014)
Deferred taxation (note 24)		
Current year	(9,490,387)	23,834,535
Total	(14,403,677)	(2,207,479)

Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) on the estimated assessable profits for the years. PRC Enterprise Income Tax in the PRC is calculated at the rates prevailing in the relevant regions.

The PRC promulgated the Law of the PRC on Enterprise Income Tax (the "**Tax Law**") by Order No. 63 of the President of the PRC on 16 March 2007. The State Council of the PRC issued Implementation Regulations of the Tax Law and the Notification of the State Council on Carrying out the Transitional Preferential Policies concerning Enterprise Income Tax (Guo Fa [2007] No. 39) on 6 December 2007 and 26 December 2007 respectively. Accordingly, the applicable Enterprise Income Tax rate for a PRC subsidiary of the Company in 2012 is 25% (2011: 24%). Other PRC incorporated entities which were incorporated after 15 March 2007, are subject to 25% tax rate for Enterprise Income Tax with effect from 1 January 2008.

Under the Tax Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries.

The tax (charge) credit for the year can be reconciled to the profit (loss) before taxation per the consolidated statement of comprehensive income as follows:

	2012	2011
	US$	*US$*
Profit (loss) before taxation	24,286,925	(17,620,151)
Share of results of associates	1,411,813	(58,112)
Profit (loss) before taxation attributable to the Company and its subsidiaries	25,698,738	(17,678,263)
Tax at the domestic income tax rate of 25% (2011: 24%) (Note 1)	(6,424,685)	4,242,783
Tax effect of expenses not deductible for tax purpose	(2,946,750)	(1,781,196)
Tax effect of income not taxable for tax purpose	3,167,490	4,390,134
Tax effect of tax losses/deductible temporary differences not recognised	(2,170)	(2,267)
Effect of different tax rates of the Company operating in other regions in the PRC	1,866,081	(1,830,106)
Adjustment on deferred tax on disposal of financial assets at FVTPL	—	771,454
Effect of different tax rate applied for deferred tax liability recognised for the year	(1,149,391)	(3,853,780)
Dividend withholding taxation in the PRC	(8,914,252)	(4,144,501)
Taxation	(14,403,677)	(2,207,479)

Note 1: The domestic tax rate (which is PRC Enterprise Income Tax rate applicable to the Company's major subsidiary in the PRC) represents the tax rate in the jurisdiction where the investments of the Group are substantially located.

12. DIVIDENDS

Subsequent to the end of the reporting period, a final dividend of US$0.05 per share (2011: US$0.04) in respect of the year ended 31 December 2012 has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

A cash dividend of US$9,387,282 (2011: US$12,089,376) was paid and a total number of 6,844,381 (2011: 2,353,436) scrip shares were allotted and issued at the price of HK$9.956 (2011: HK$14.34) on 31 July 2012 (2011: 29 July 2011) by the Company for the year ended 31 December 2011.

13. BASIC EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the following data:

	THE GROUP	
	2012	**2011**
Profit (loss) for the purpose of basic earnings (loss) per share (US$)	9,883,248	(19,827,630)
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	154,350,861	150,126,198
Basic earnings (loss) per share (US$)	0.064	(0.132)

All 6,844,381 (2011: 2,353,436) scrip shares allotted during the year have been issued before the year end as described in note 12 above. No diluted earnings (loss) per share were noted at both years as there were no dilutive potential shares outstanding during both years.

14. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2012	**2011**
	US$	*US$*
Unlisted shares, at cost	10,000,007	10,000,007
Deemed capital contribution through interest-free loans	18,573,272	16,050,000
Total	28,573,279	26,050,007

Particulars of the Company's principal subsidiaries at 31 December 2012 are set out in note 32.

15. INTERESTS IN ASSOCIATES

	THE GROUP 2012 US$	THE GROUP 2011 US$
Cost of unlisted investments in associates	16,452,455	16,452,455
Share of post-acquisition results, net of dividends received	1,015,521	2,692,819
Share of exchange reserve	3,769,291	3,719,859
	21,237,267	22,865,133
Amounts due from associates	6,486,055	6,511,796
Allowance on amounts due from associates	(6,486,055)	(6,486,055)
	—	25,741
Total	21,237,267	22,890,874

The amounts due from associates are unsecured, interest free and are repayable on demand.

As at 31 December 2012 and 2011, the Group had investments in the following associates:

Name of company	Place of incorporation/ registration and operation	Class of share held	Principal activities	2012 Proportion of nominal value of issued capital/ registered capital held by the Group	2011 Proportion of nominal value of issued capital/ registered capital held by the Group
Daily On Property Limited	HK/PRC	Ordinary	Property development	22%	22%
Hansen Enterprises Limited	BVI/PRC	Ordinary	Property investment	35%	35%
Shandong Jinbao Electronics Co., Ltd.	PRC/PRC	Registered capital	Manufacturing Electronics products	25.91%	25.91%

The summarised financial information in respect of the Group's associates is set out below:

	2012	2011
	US$	*US$*
Total assets	481,384,174	471,106,571
Total liabilities	(384,463,553)	(379,429,044)
Net assets	96,920,621	91,677,527
Group's share of net assets of associates	21,237,267	22,865,133
Turnover	319,938,375	348,902,963
(Loss) profit for the year	(11,196,950)	2,104,736
Group's share of results of associates for the year (excluding unrecognised share of profits of associates having accumulated losses in prior year)	(1,411,813)	58,112

The Group has discontinued recognition of its share of (losses) profits of certain associates. The amounts of unrecognised share of (losses) profits for the year and accumulated losses of those associates, extracted from the relevant audited/management accounts of associates are as follows:

	2012	2011
	US$	*US$*
Unrecognised share of (losses) profits for the year	(1,781,679)	446,259
Accumulated unrecognised share of losses of associates	(3,583,057)	(1,801,378)

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP	
	2012	**2011**
	US$	*US$*
Equity and debt securities designated at FVTPL:		
— listed equities in PRC *(Note a)*	236,147,975	212,612,412
— listed equity in USA *(Note b)*	—	2,789,285
— unlisted equities *(Note c)*	225,908,364	194,142,093
— unlisted preferred equity *(Note c)*	25,280,000	24,790,000
— convertible bond *(Note c)*	1,001,289	793,537
Total	488,337,628	435,127,327
Analysed to reporting purposes as		
Current assets	236,147,975	215,401,697
Non-current assets	252,189,653	219,725,630
Total	488,337,628	435,127,327

The Group's sales proceeds from disposals of investments in 2012 were US$23,182,351 (2011: US$110,234,802).

	THE COMPANY	
	2012	**2011**
	US$	*US$*
Equity securities:		
— unlisted *(Note c)*	52,994,347	40,604,327

Notes:

(a) The listed equity securities represent the Group's interest held in China Merchants Bank Co., Ltd. and Industrial Bank Co., Ltd. The fair values of the above listed securities are determined based on the quoted market bid prices available on the relevant exchanges.

(b) The listed equity security represents the Group's interest in Renren Inc.. The fair value of the above listed security is determined based on the quoted market closing price available on the relevant exchange.

(c) As at 31 December 2012, fair value of unlisted equities amounted to US$4,772,890 was arrived at by reference to their recent transaction prices prior to the year end. For unlisted investments with no recent transactions noted, their fair values were arrived at on the basis of valuations carried out by an independent valuer not connected with the Group. Determination of fair value is based on the best information available in the circumstances and includes appropriate risk adjustments for lack of marketability. Factors considered in determining the fair value of these investments include multiples of comparable companies listed on stock exchanges. Fair value of the convertible bond was arrived at by reference to the appropriate valuation model.

THE GROUP

Particulars of the Group's investment portfolio which exceed 10% of the assets of the Group at 31 December 2012 disclosed pursuant to Section 129(2) of the Hong Kong Companies Ordinance are as follows:

Name of company	Place of registration	Class of share capital	2012 Percentage of equity held by the Group	2011 Percentage of equity held by the Group
China Merchants Bank Co., Ltd.	PRC	A shares	0.25%	0.31%
Industrial Bank Co., Ltd.	PRC	A shares	0.41%	0.41%
China Credit Trust Co., Ltd.	PRC	Paid up capital	6.9369%	6.9369%

THE COMPANY

Particulars of the Company's investment portfolio which exceeds 10% of the assets of the Company at 31 December 2012 disclosed pursuant to Section 129(2) of the Hong Kong Companies Ordinance are as follows:

Name of company	Place of registration	Class of share capital	2012 Percentage of equity held by the Company	2011 Percentage of equity held by the Company
China Credit Trust Co., Ltd.	PRC	Paid up capital	3.3297%	3.3297%

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	THE GROUP	
	2012	**2011**
	US$	*US$*
Quoted debt securities — available-for-sale *(Note)*	713,268	726,698

Note: The maturity of the debt securities is less than one year and the effective interest rate is 5.80% per annum. The debt securities are classified from non-current asset at prior year end to current asset at 31 December 2012.

18. AMOUNTS DUE FROM (TO) SUBSIDIARIES

	THE COMPANY	
	2012	**2011**
	US$	*US$*
Amounts due from subsidiaries	245,012,895	268,245,384
Less: Allowance on amounts due from subsidiaries	(18,634,073)	(10,882,392)
Total	226,378,822	257,362,992
Analysis of amounts due from subsidiaries		
Current	189,553,092	190,409,417
Non-current	36,825,730	66,953,575
Total	226,378,822	257,362,992
Amounts due to subsidiaries	4,948,995	4,842,326

The amounts due from (to) subsidiaries are unsecured, non-interest bearing and are repayable on demand.

	THE COMPANY	
	2012	**2011**
	US$	*US$*
Allowance on amounts due from subsidiaries at 1 January and 31 December	18,634,073	10,882,392

The amounts due from subsidiaries are impaired because the carrying amounts are larger than the present value of discounted cash flows of the impaired subsidiaries. The other amounts due from subsidiaries are with good quality as they have the repayment ability to settle the outstanding amounts.

19. OTHER RECEIVABLES

	THE GROUP	
	2012	**2011**
	US$	*US$*
Consideration receivable on disposal of unlisted investments	—	63,102
Dividend receivable from associates	463,605	224,668
Interest receivable	203,073	1,275,398
Other receivables	43,115	49,014
Total	709,793	1,612,182

	THE COMPANY	
	2012	**2011**
	US$	*US$*
Interest receivable	3,504	2,038
Other receivables	22,387	22,217
Total	25,891	24,255

20. BANK BALANCES AND CASH

THE GROUP AND THE COMPANY

Bank balances comprise short-term bank deposits at fixed prevailing market interest rates. The bank balances and cash of the Group include an amount of US$51,044,923 (2011: US$92,885,064) which is denominated in RMB.

21. OTHER PAYABLES

THE GROUP AND THE COMPANY

Other payables mainly comprise management fee payable to China Merchants China Investment Management Limited ("**Investment Manager**") as disclosed in note 31 and business tax payable of US$18,993,583 (2011: US$18,026,826) arose from disposal of listed equity securities.

22. TAXATION PAYABLE

THE GROUP AND THE COMPANY

The taxation payable represents applicable PRC taxes calculated at the rates prevailing in the relevant regions.

23. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

THE GROUP AND THE COMPANY

The financial liabilities designated at FVTPL as at 31 December 2012 were related to the sub-participation agreements (the "**Sub-participation Agreements**") entered into between the Company and the participants in respect of the investment by the Group in 北京銀廣通廣告有限公司 (Unibank Media Group Inc.), 武漢日新科技股份有限公司 (Wuhan Rixin Technology Co., Ltd.), 廣州珠江數碼集團有限公司 (Guangzhou Digital Media Group Ltd.), 華人文化(天津) 投資管理有限公司 (China Media (Tianjin) Investment Management Co., Ltd.), 深圳市吉陽自動化科技有限公司 (Shenzhen Geesun Automation Technology Co., Ltd.), 華人文化產業股權投資(上海)中心 (有限合夥) (China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership)), 江蘇華爾石英材料股份有限公司 (Jiangsu Huaer Quartz Materials Co., Ltd.), 上海第一財經傳媒有限公司 (China Business Network), 西安金源電氣股份有限公司 (Xi'an Jinpower Electrical Co., Ltd.), 遼寧振隆特產股份有限公司 (Liaoning Zhenlong Native Produce Holding Company Ltd.), 能通科技股份有限公司 (NTong Technology Co., Ltd.), 天利半導體(深圳)有限公司 (Teralane Semiconductor (Shenzhen) Co., Ltd.), 廣西華勁集團股份有限公司 (Guangxi Hwagain Group Co., Ltd.), 新疆承天農牧業發展股份有限公司 (Xinjiang Chengtian Agriculture & Animal Husbandry Development Co., Ltd.) and 天翼視訊傳媒有限公司 (Esurfing Media Co., Ltd.) (collectively referred to as the "**Project Companies**"). As all above mentioned investments by the Group in the Project Companies are designated as financial assets at FVTPL and value of the Sub-participation Agreements are associated directly with these underlying investments, the Sub-participation Agreements are thus designated as financial liabilities at FVTPL.

Pursuant to the Sub-participation Agreements, the participants will receive a portion of the return (in the form of dividends, interest, or other distributions or proceeds from realisation) from the Group's investment in the Project Companies that is proportional to the amount provided by the participants to the Group as a percentage of the total Group's investment in the Project Companies. If the Group suffers a loss from its investment in the Project Companies, the participants will correspondingly share a loss in the amount they provided to the Group on a pro rata basis. Details of the Sub-participation Agreements are disclosed in the section of Investment Manager's Discussion and Analysis and under the heading of Sub-participation Scheme.

24. DEFERRED TAXATION

THE GROUP

The Group's deferred tax liability comprises deferred taxation of US$8,697,712 (2011: Nil) related to undistributed earnings of PRC subsidiaries since 1 January 2008 and of US$53,885,634 (2011: US$52,953,100) related to the taxation on capital gains for certain investments in securities in the PRC. The following is the deferred tax liability recognised by the Group and movements thereon during the current and prior years:

	THE GROUP	
	2012	**2011**
	US$	*US$*
Balance at 1 January	52,953,100	74,094,298
Charge (credit) to profit or loss for the year	9,490,387	(23,834,535)
Exchange differences	139,859	2,693,337
Balance at 31 December	62,583,346	52,953,100

No deferred tax asset has been recognised in relation to tax losses due to the unpredictability of future relevant taxable profit against which the tax losses can be utilised.

THE COMPANY

The Company's deferred tax liability is related to the taxation on capital gains for certain investments in securities in the PRC. The following is the deferred tax liability recognised by the Company and movements thereon during the current and prior years:

	THE COMPANY	
	2012	**2011**
	US$	*US$*
Balance at 1 January	2,530,559	3,792,442
Charge (credit) to profit or loss for the year	1,239,002	(1,261,883)
Balance at 31 December	3,769,561	2,530,559

At the end of the reporting period, the Company had estimated unused tax losses of US$75,351 (2011: US$75,084) available for offsetting against future taxable profits. The losses may be carried forward indefinitely for Hong Kong Profits Tax.

No deferred tax asset has been recognised in relation to such tax losses due to the unpredictability of future relevant taxable profit against which the tax losses can be utilised.

25. SHARE CAPITAL

	Number of shares	*US$*
Ordinary shares of US$0.10 each		
Authorised:		
At 31 December 2011, 1 January and 31 December 2012	300,000,000	30,000,000
Issued and fully paid:		
At 1 January 2011	149,145,600	14,914,560
Issue of ordinary shares	2,353,436	235,344
At 31 December 2011 and 1 January 2012	151,499,036	15,149,904
Issue of ordinary shares	6,844,381	684,438
At 31 December 2012	158,343,417	15,834,342

A total number of 6,844,381 (2011: 2,353,436) ordinary shares of US$0.10 each were allotted and issued at the price of HK$9.956 (2011: HK$14.34) on 31 July 2012 by the Company to satisfy the payment of the 2011 final and special dividends of US$8,792,602 (2011: US$4,316,640). These shares rank pari passu in all respects with other shares in issue.

26. SHARE PREMIUM AND RESERVES

THE COMPANY

	Share premium *US$*	Accumulated (losses) profits *US$*	Total *US$*
Balance at 1 January 2011	109,493,184	137,692,699	247,185,883
Profit for the year	—	61,738,033	61,738,033
2010 final and special dividends paid			
— Cash	—	(12,089,376)	(12,089,376)
— Scrip alternative	4,081,296	(4,316,640)	(235,344)
Balance at 1 January 2012	113,574,480	183,024,716	296,599,196
Loss for the year	—	(4,546,196)	(4,546,196)
2011 final and special dividends paid			
— Cash	—	(9,387,282)	(9,387,282)
— Scrip alternative	8,108,164	(8,792,602)	(684,438)
Balance at 31 December 2012	121,682,644	160,298,636	281,981,280

27. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share at the end of the reporting period is based on the net assets of US$478,402,362 (2011: US$476,910,516) and 158,343,417 ordinary shares (2011: 151,499,036 ordinary shares) of US$0.10 each in issue at 31 December 2012.

28. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2012	**2011**
	US$	*US$*
Within one year	—	89,500
In the second to fifth years inclusive	—	333,100
	—	422,600

Operating lease payments represent rentals payable by the Group for certain of its office properties.

29. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had capital commitments as follows:

(a) On 29 April 2010, the Group entered into an agreement with, among others, China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership) ("**China Media Investment**"), pursuant to which the Group agreed to make a cash injection of RMB200 million (equivalent to approximately US$31.20 million) in total by installments into the capital of China Media Investment in return for approximately 10% interest in China Media Investment. In addition, the other investors agreed to make cash injections proportionate to their holdings. As at 31 December 2012, the Group has injected RMB120.17 million, equivalent to approximately US$18.50 million (2011: RMB46.26 million, equivalent to approximately US$6.81 million) into China Media Investment and classified the investment as a financial asset at FVTPL under non-current assets.

(b) On 29 August 2011, the Group entered into agreements in relation to NTong Technology Co., Ltd. ("**NTong**"), pursuant to which, among others, the Group agreed to subscribe to convertible bonds of RMB45 million (equivalent to approximately US$7.16 million) from NTong upon request of NTong.

30. EVENT AFTER THE REPORTING PERIOD

On 3 January 2013, the Group received a return of capital of US$17,250,000 from NBA China, L.P., representing 75% of the principal amount of the Group's capital investment in NBA China, L.P..

31. RELATED PARTY TRANSACTIONS

The Company has appointed the Investment Manager for both listed and unlisted investments. Certain Directors of the Company are also Directors and/or shareholders of the Investment Manager.

During the year, other than as disclosed elsewhere in the consolidated financial statements, the Group and the Company have incurred the following related party transactions:

(a) The Company paid or accrued to the Investment Manager management fees totalling US$9,508,196 (2011: US$9,869,331). The fee is calculated based on a fixed percentage on the value of the Group's assets as stipulated in the Investment Management Agreement *(Note 1)*.

The amount due to the Investment Manager included in other payables in the statements of financial position as at 31 December 2012 was US$2,508,433 (2011: US$2,342,683). Amount due to the Investment Manager is unsecured, interest free and is repayable on demand.

(b) Securities brokerage commission fees totalling US$8,230 (2011: US$41,015) were paid or payable to a subsidiary of a substantial shareholder who has significant influence over the Company. Since the shareholder of the Company has significant influence over the Company and has control over its subsidiary, the securities brokerage commission fees are considered to be related party transactions *(Note 1)*.

(c) Pursuant to the Sub-participation Agreements, the financial liabilities of the Group with Mr. HONG Xiaoyuan, Ms. ZHOU Linda Lei and Mr. TSE Yue Kit, who are Directors of both the Company and the Investment Manager, were US$109,622, US$143,726 and US$14,942 respectively (2011: US$99,882, US$143,750 and US$15,228 respectively). Moreover, the financial liability of the Group with Mr. WU Huifeng, a Director of the Investment Manager, was US$120,804 (2011: US$115,899).

(d) Key management compensation is disclosed in note 9 to the financial statements.

Note 1: These related party transactions also constitute continuing connected transactions and are disclosed in accordance with Chapter 14A of the Listing Rules.

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of all principal subsidiaries at 31 December 2012 and 2011, which are all wholly-owned by the Company, are as follows:

Name	Place of incorporation/ registration and operation	Principal activities	Particulars of issued share capital
CMCDI Zhaoyuan Limited	BVI/PRC	Investment holding	1 share of US$1 each (Limited liability company)
China Merchants Industry Development (Shenzhen) Limited	PRC/PRC	Investment holding	Paid up capital of US$10,000,000 (Wholly owned foreign enterprise)
Everich Dynamic Investments Limited	BVI/PRC	Investment holding	1 share of US$1 each (Limited liability company)
Goshing Investment Limited	BVI/PRC	Investment holding	1 share of US$1 each (Limited liability company)
Leadman Investment Limited	HK/HK	Investment holding	1 share of HK$1 each (Limited liability company)
Main Star Investment Limited	HK/HK	Inactive	1 share of HK$1 each (Limited liability company)
Ryan Pacific Limited	BVI/PRC	Investment holding	1 share of US$1 each (Limited liability company)
Star Group Limited	HK/HK	Investment holding	2 ordinary shares of HK$1 each (Limited liability company)
Shenzhen Tian Zheng Investment Co., Ltd.	PRC/PRC	Investment holding	Paid up capital of RMB700,000,000 (Limited liability company)
Wheaton International Limited	BVI/PRC	Investment holding	1 share of US$1 each (Limited liability company)
Wisetech Limited	BVI/PRC	Investment holding	1 share of US$1 each (Limited liability company)
Xinjiang Tian Hong Equity Investment Co., Ltd.	PRC/PRC	Investment holding	Paid up capital of RMB30,000,000 (Limited liability company)

None of the subsidiaries had any debt securities subsisting at 31 December 2012 and 2011 or at any time during the year.

33. KEY SOURCE OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are as follows:

Fair value of financial assets and liabilities at FVTPL

As indicated in notes 5, 16 and 23, the Group selects appropriate valuation techniques for financial instruments and liabilities not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. The fair values of unlisted financial assets and liabilities designated at FVTPL are determined in accordance with generally accepted pricing models. The values assigned to the financial assets and liabilities are based upon available information and do not necessarily represent amounts which might ultimately be realised, since such amounts depend on future circumstance and cannot be reasonably determined until the individual position is realised.

3. INDEBTEDNESS STATEMENT

At the close of business on 31 March 2013, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Offer Document, apart from the intra-group liabilities, the Group did not have any loan capital issued and outstanding, or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages charges, hire purchase commitments, guarantees or other material contingent liabilities.

4. MATERIAL CHANGES SINCE 31 DECEMBER 2012

The Directors confirm that as at the Latest Practicable Date, there had been no material change in the financial or trading position or outlook of the Company since 31 December 2012, the date to which the latest published audited financial statements of the Company were made up.

5. FINANCIAL AND TRADING PROSPECTS

It is expected that the global economy in 2013 will remain in a time of post-crisis deep correction. The global environment will be full of complexities and uncertainties. Though originally equipped with competitive advantages, China's growth momentum will gradually be weakened while new advantages are yet to be established. Together with unstable market confidence and expectations, China's economy is in the process of seeking a new balance. In 2013, China's growth in aggregate demand will continue to face certain downside risks. First, growth in exports is expected to be roughly the same as in 2012, given overall global economic conditions in 2013, as well as factors like increasing labour costs, weakening of the advantage of lower costs and further structural adjustments. Second, consumption growth is expected to remain stable. In the current downtrend of the economy, employment has remained generally stable, and income for residents of both urban and rural areas has maintained its rapid growth. These factors form the foundation for steady growth in consumption. An improvement or increase in sales volume for housing, for automobile and petroleum products, for jewelry and precious metals, as well as for other related industrial products, will also drive steady growth in consumption. In addition, investment growth will face certain downward pressures, mainly due to the impact of an inadequate recovery in real estate, a slowdown of investment in the manufacturing industry, and limitations from various factors on the expansion of infrastructure investments. In 2013, reflecting a new round of global monetary easing, a rise in prices of domestic or international bulk commodities and a short-term inflow of capital may increase the upward pressure on prices in China. Given the macroeconomic framework of actively and properly maintaining stable and rapid development in economy as advocated by the Central Government, the Group will actively seek more investment opportunities.

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma financial information of the Group has been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the proposed voluntary conditional cash offer to repurchase up to 7,917,171 Shares at a price of HK$20.94 per Share and will be satisfied by cash payment on (a) the unaudited pro forma earnings per Share of the Group for the year ended 31 December, 2012 as if the Offer had been completed on 1 January, 2012 and (b) the unaudited pro forma consolidated net assets/net tangible assets of the Group as if the Offer had been completed on 31 December, 2012, after taking into account certain assumptions.

The unaudited pro forma financial information has been prepared for illustration purpose only, and because of its nature, it may not give a true picture of the earnings per Share for the year ended 31 December, 2012 or any future period and the financial position of the Group as at 31 December, 2012 following the Offer or at any future date.

A. Unaudited Pro Forma Earnings per Share

	Audited consolidated profit attributable to owners of the Company for the year ended 31 December, 2012		Pro forma adjustments				Unaudited pro forma consolidated profit attributable to owners of the Company for the year ended 31 December, 2012	Unaudited pro forma basic and diluted earnings per Share for the year ended 31 December, 2012	
	US$	(i)	*US$*		*US$*		*US$*	*US$*	
Assuming full acceptance of the Offer by the Qualifying Shareholders	9,883,248	(ii)	(49,118)	(iii)	(392,936)	(iv)	9,441,194	0.0645	(v)

B. Unaudited Pro Forma Net Assets/Net Tangible Assets

The unaudited pro forma net assets/net tangible assets of the Group is prepared based on the audited consolidated net assets of the Group as at 31 December, 2012, as extracted from the published audited financial statements of the Group as set out in Appendix II to this Offer Document and the adjustments described below.

Unaudited Pro Forma Net Assets and Unaudited Pro Forma Net Tangible Assets

	Audited consolidated net assets/net tangible assets of the Group attributable to owners of the Company as at 31 December, 2012		Pro forma adjustment		Adjusted unaudited pro forma consolidated net assets/net tangible assets of the Group attributable to owners of the Company after the Offer	
	US$	(vi)	*US$*		*US$*	
Assuming full acceptance of the Offer by the Qualifying Shareholders	478,402,362	(vii)	(21,748,523)	(viii)	456,653,839	(ix)

Notes:

(i). The audited consolidated profit attributable to owners of the Company for the year ended 31December,2012 has been extracted from Appendix II to this Offer Document.

(ii). Basic and diluted earnings per Share for the year ended 31December, 2012 before the Offer (based on weighted average number of Shares of 154,350,861 for the year ended 31December, 2012) — *US$0.0640*

(iii). Pro forma adjustment:

*— Interest income** — *US$49,118*

** The adjustment represents the reversal of bank interest income in relation to the cash consideration for the Offer, assuming the Offer had been completed on 1 January, 2012.*

(iv). Pro forma adjustment:

— Estimated related expenses # — *US$392,936*

 # The estimated related expenses include financial advisory fee, other professional fees and legal fees, which are directly attributable to the Offer.

(v). Unaudited pro forma basic and diluted earnings per Share for the year ended 31 December, 2012, assuming the Offer had been completed on 1 January, 2012 (based on pro forma weighted average number of Shares of 146,433,690) — *US$0.0645*

(vi).	*The audited consolidated net assets/net tangible assets of the Group attributable to owners of the Company as at 31 December, 2012 has been extracted from Appendix II to this Offer Document. There was no intangible assets of the Group attributable to owners of the Company as at 31 December, 2012.*	
(vii).	*Audited consolidated net assets/net tangible assets of the Group per Share attributable to owners of the Company before the Offer (based on 158,343,417 Shares in issue as at 31 December, 2012).*	*US$3.021*
(viii).	*Total consideration of the Offer will be satisfied by cash (based on the repurchase of 7,917,171 Shares at a price of HK$20.94 per Share)*	*US$21,355,587*
	*Add: Estimated related expenses**	*US$392,936*
	Total estimated cost of the Offer	*US$21,748,523*

* *The estimated related expenses include financial advisory fee, other professional fees and legal fees, which are directly attributable to the Offer.*

(ix).	*Adjusted unaudited pro forma consolidated net assets/net tangible assets of the Group per Share attributable to owners of the Company after the Offer (based on 150,426,246 Shares in issue as at 31December, 2012 and assuming full acceptance of the Offer by the Qualifying Shareholders).*	*US$3.036*

2. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the text of the accountants' report on the unaudited pro forma financial information of the Group received from Deloitte Touche Tohmatsu prepared for the purpose of incorporation of this Offer Document.

Deloitte.
德勤

TO THE DIRECTORS OF CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED

We report on the unaudited pro forma financial information of China Merchants China Direct Investments Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**"), set out in Part 1 of Appendix III to the offer document of the Company dated 13 May, 2013 (the "**Offer Document**"), in connection with the proposed voluntary conditional cash offer to repurchase up to 7,917,171 shares of the Company at a price of HK$20.94 per share (the "**Offer**"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the Offer might have affected the financial information presented, for inclusion in Appendix III to the Offer Document. The basis of preparation of the unaudited pro forma financial information is set out in the accompanying introduction and notes to the Unaudited Pro Forma Financial Information included in Part 1 of Appendix III to the Offer Document.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of:

- The financial position of the Group as at 31 December, 2012 or any future date; or
- the earnings per share of the Group for the year ended 31 December, 2012 or any future period.

Opinion

In our opinion:

a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
13 May, 2013

1. RESPONSIBILITY STATEMENT

This Offer Document includes particulars given in compliance with the Listing Rules and the Codes for the purpose of providing information with regard to the Offer and the Company. All Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Offer Document and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Offer Document have been arrived at after due and careful consideration and there are no other facts not contained in this Offer Document, the omission of which would make any statement in this Offer Document misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were and upon completion of the Offer assuming the Offer is accepted in full will be as follows:

Authorised		*US$*
300,000,000	Shares as at the Latest Practicable Date	30,000,000
Issued and fully paid or credited as fully paid		
158,343,417	Shares as at the Latest Practicable Date	15,834,342
(7,917,171)	Shares proposed to be cancelled under the Offer	(791,717)
150,426,246	Shares upon completion of the Offer and cancellation of the Shares repurchased	15,042,625

All the issued Shares rank pari passu with each other in all respects including the rights as to voting, dividends and return of capital.

The Company had no outstanding options, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

There has been no re-organisation of capital of the Company during the two financial years immediately preceding the date of the Announcement.

Dividends have been paid out by the Company to the Shareholders (which was payable in cash with an option to receive new, fully paid Shares in lieu of cash) during the two-year period immediately preceding the date of the Offer Document, the details of which are as follows:

Date of Dividend	Amount of Cash Dividend issued
	US$
29 July 2011	12,089,376
31 July 2012	9,387,282

During the two-year period immediately preceding the date of commencement of the Offer Period, i.e. 25 April, 2013 (being the date of the Announcement) and up to the Latest Practicable Date, the Company issued an aggregate of 9,197,817 Shares with respect to the payment of dividends, the details of which are as follows:

Date of Issue	Number of Shares issued	Issue price per Share
		HK$
29 July 2011	2,353,436	14.34
31 July 2012	6,844,381	9.956

Depending on the future results and financial position of the Group, the Board may declare dividends as and when they consider appropriate. The Board does not expect the Offer to have any adverse effect on the ability of the Company to pay dividends or on the dividend policy of the Company.

The Company did not repurchase any Shares during the 12-month period immediately preceding the date of this Offer Document.

As at the Latest Practicable Date, the Company had not issued or repurchased any Shares since 31 December 2012, being the date on which the last financial year of the Company ended.

3. MARKET PRICES

The table below shows the closing prices of the Share on the Stock Exchange on (i) the Latest Practicable Date; (ii) 24 April, 2013, being the Last Trading Day; and (iii) the last trading day of each of the calendar months during the Relevant Period.

Date	**Closing price per Share**
	HK$
31 October, 2012	10.48
30 November, 2012	10.40
31 December, 2012	11.98
31 January, 2013	13.20
28 February, 2013	12.72
28 March, 2013	11.60
24 April, 2013 being the Last Trading Day	10.60
30 April, 2013	11.96
13 May, 2013, being the Latest Practicable Date	12.00

The highest and lowest closing price per Share as quoted on the Stock Exchange during the Relevant Period were HK$13.40 per Share on 23 January, 2013, and HK$10.06 per Share on 16 November, 2012 respectively.

4. DISCLOSURE OF INTERESTS

(a) Interests of the Directors or chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

Interests in the Shares

Name of the Director	**Long position/ Short position**	**Capacity**	**Number of issued Shares**	**Approximate percentage of the issued share capital of the Company**
				(%)
Mr. Victor Lap-Lik CHU	Long position	Interest of controlled corporation(s)	3,224,000	2.04%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company or persons acting in concert with any of them, had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) were required, pursuant to the Model Code adopted by the Company, to be notified to the Company and the Stock Exchange.

(b) **Interests of the Shareholders discloseable pursuant to Part XV of the SFO and the Takeovers Code**

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the Register maintained by the Company pursuant to Part XV of the SFO, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have, interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Codes:

Interests in the Shares

Name of shareholder	**Long/short position**	**Capacity**	**Number of ordinary shares interested**	**Percentage of total issued shares**
China Merchants Group Limited *(Note 3)*	Long position	Interest of controlled corporation	42,604,015	26.91%
China Merchants Steam Navigation Company Limited *(Note 3)*	Long position	Interest of controlled corporation	42,604,015	26.91%
China Merchants Holdings (Hong Kong) Company Limited *(Note 1)*	Long position	Interest of controlled corporation	42,604,015	26.91%
China Merchants Finance Holdings Company Limited *(Note 2)*	Long position	Interest of controlled corporation	42,604,015	26.91%
China Merchants Financial Services Limited *(Note 3)*	Long position	Interest of controlled corporation	39,393,627	24.88%
Good Image Limited	Long position	Beneficial owner	39,393,627	24.88%
Lazard Asset Management LLC ("**Lazard**")	Long position	Investment manager	32,972,945	20.82%
華夏全球精選股票型證券投資基金	Long position	Beneficial owner	9,682,000	6.11%

Note 1: China Merchants Holdings (Hong Kong) Company Limited is deemed to have corporate interests in the shares by virtue of its controlling shareholding (i.e. 99.32%) in the company whose name is set out immediately under it.

Note 2: China Merchants Finance Holdings Company Limited is deemed to have corporate interests in the shares by virtue of its entire shareholding in Everlink Limited and the company whose name is set out immediately under it.

Note 3: China Merchants Group Limited, China Merchants Steam Navigation Company Limited and China Merchants Financial Services Limited are deemed to have corporate interests in the shares by virtue of its entire shareholding in the company whose name is set out immediately under it.

Save as disclosed, as at the Latest Practicable Date, the Directors and the chief executives of the Company were not aware of any person (other than Directors or chief executives of the Company) who had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Codes.

5. DEALINGS IN THE SHARES AND OTHER ARRANGEMENTS

The Company had not repurchased or dealt in any Shares or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company since 25 October, 2012 (being the date falling six months before the date on which the Board approved the proposal relating to the Offer) and up to the Latest Practicable Date, and will not conduct any on-market Share repurchase from the Latest Practicable Date up to and including the date on which the Offer closes, lapses or is withdrawn, as the case may be.

None of the Company, the Directors and any parties acting in concert with any of them had dealt for value in their relevant shareholdings (as defined in Note 1 to paragraph 5 of Schedule III to the Repurchases Code) during the Relevant Period. Pursuant to the Corporate Substantial Shareholder Notice of Lazard dated 31 July 2012, it was recorded that Lazard was interested in 32,972,945 Shares as at the Latest Practicable Date. As at the Latest Practicable Date, the Company is unable to confirm whether Lazard had or had not dealt in the Shares in the Relevant Period.

CMFH and parties acting in concert with it had confirmed to the Company that they have not dealt in their relevant shareholdings (as defined in Note 1 to paragraph 5 of Schedule III to the Repurchases Code) during the Relevant Period.

As at the Latest Practicable Date, save as disclosed in the letter from the Board contained in this Offer Document:

(i) none of the Company, the Directors and any parties acting in concert with any of them were interested in any Shares, convertible securities, warrants, options or derivatives in respect of the Shares nor had they borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company; and

(ii) none of CMFH and parties acting in concert with it were interested in any Shares, convertible securities, warrants, options or derivatives in respect of the Shares nor had they borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance to be pending or threatened against any member of the Group.

7. MATERIAL CONTRACTS

No material contract, being contracts not in the ordinary course of business, has been entered into by any member of the Group within the two years preceding the date of this Offer Document.

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions or advices in this Offer Document:

Name	**Qualification**
Anglo Chinese	Anglo Chinese Corporate Finance, Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, and the financial adviser to the Company in respect of the Offer
Altus Capital	Altus Capital Limited, a corporation licensed to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Shareholders in respect of the Offer
Deloitte Touche Tohmatsu (“**DTT**”)	Certified Public Accountants

Anglo Chinese, Altus Capital, and DTT have given and have not withdrawn their written consent to the issue of this Offer Document with the inclusion herein of their opinions and/or letters, and references to their names, opinions or letters in the form and context in which they respectively appear.

9. GENERAL

(a) The registered office of the Company is at 1803 China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

(b) The registered office of Anglo Chinese is at 40th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

(c) The registered office of Altus Capital is at 21 Wing Wo Street, Central, Hong Kong.

(d) The English texts of this Offer Document, the form of proxy for the EGM and the Form of Acceptance shall prevail over their respective Chinese texts.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday (public holidays excepted) at (i) 1803 China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong; (ii) on the website of the Securities and Futures Commission of Hong Kong at www.sfc.hk; and (iii) the website of the Company at http://www.cmcdi.com.hk, from the date of despatch of this Offer Document for so long as the Offer remains open for acceptance:

(a) the memorandum and articles of association of the Company;

(b) the letter from the Board, the text of which is set out on pages 5 to 17 of this Offer Document;

(c) the letter from Anglo Chinese, the text of which is set out on pages 18 to 25 of this Offer Document;

(d) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 26 to 27 of this Offer Document;

(e) the letter of advice from Altus Capital, the text of which is set out on pages 28 to 42 of this Offer Document;

(f) the annual reports of the Company for each of the two years ended 31 December, 2011 and 2012;

(g) the accountants' report on the unaudited pro forma financial information of the Group issued by DTT, the text of which is set out in Appendix III to this Offer Document;

(h) the letters of consent referred to in the paragraph headed "Experts and consents" in this appendix; and

(i) the irrevocable letter of undertaking dated 25 April 2013 executed by CMFH.

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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of China Merchants China Direct Investments Limited (the "**Company**") will be held at JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong, on Friday, 7 June, 2013 at 3:00 p.m. for the purpose of considering and, if thought fit, passing with or without modifications the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

the conditional cash offer (the "**Offer**") by Anglo Chinese Corporate Finance, Limited on behalf of the Company to repurchase up to 7,917,171 shares of nominal value of US$0.10 each in the issued share capital of the Company (the "**Shares**") held by the shareholders of the Company (the "**Shareholders**") at a price of HK$20.94 per Share, subject to the terms and conditions set out in the offer document dated 13 May, 2013 and despatched to the Shareholders dated 16 May, 2013 together with the accompanying form of acceptance (a copy of which marked "A" has been produced to the meeting and initialled by the chairman of the meeting for the purpose of identification) be approved, without prejudice and in addition to the existing authority of the Company under the general mandate to repurchase Shares granted by the Shareholders at the annual general meeting of the Company held on 17 May, 2012, and that any one of the directors of the Company be and is hereby authorised to execute all such documents with or without amendments and to do all such acts and things as he considers desirable, necessary or expedient in connection with or to give effect to any matters relating to or in connection with the Offer including, without limitation, completion of the repurchase of the Shares pursuant to the Offer."

By Order of the Board
ZHOU Linda Lei
Director

Hong Kong, 13 May, 2013

Registered Office:
1803 China Merchants Tower, Shun Tak Centre,
168-200 Connaught Road Central
Hong Kong

Notes:

1. Any shareholder of the Company entitled to attend and vote at the meeting of the Company may appoint another person as his proxy to attend and vote instead of him. A shareholder of the Company who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the meeting. A proxy needs not be a shareholder of the Company. In addition, a proxy or proxies representing either a shareholder of the Company who is an individual or a shareholder of the Company which is a corporation shall be entitled to exercise the same power on behalf of the shareholder of the Company which he or they represent as such shareholder of the Company could exercise.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof, it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the facts.

3. The instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting thereof at which the person named in the instrument proposes to vote and, in default, the instrument of proxy shall not be treated as valid.

4. Completion and return of an instrument appointing a proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting or on the poll concerned and, in such event, the instrument appointing a proxy shall be deemed to have been revoked.

5. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

As at the date of this notice, the directors of the Company are:

Executive Directors:
Mr. LI Yinquan *(Chairman)*
Mr. HONG Xiaoyuan
Mr. CHU Lap Lik, Victor
Ms. ZHOU Linda Lei
Mr. TSE Yue Kit
Ms. KAN Ka Yee, Elizabeth
(Alternate to Mr. CHU Lap Lik, Victor)

Non-executive Director:
Mr. KE Shifeng

Independent Non-executive Directors:
Mr. LIU Baojie
Mr. XIE Tao
Mr. ZHU Li
Mr. TSANG Wah Kwong