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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisor.

**If you have sold or transferred** all your shares in China Merchants China Direct Investments Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED**

**招商局中國基金有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 133)**

**DISPOSAL MANDATE IN RELATION TO  
A PROPOSED DISPOSAL OF SHARES IN  
INDUSTRIAL BANK CO., LTD. –  
POSSIBLE VERY SUBSTANTIAL DISPOSAL**

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A letter from the Board is set out on page 3 to 8 of this circular.

A notice convening the extraordinary general meeting of China Merchants China Direct Investments Limited to be held at Narcissus Room, 27/F, The Park Lane Hotel Hong Kong, 310 Gloucester Road, Hong Kong on Wednesday, 16 January 2008 at 2:30 p.m. is set out on pages 27 to 28 of this circular. Whether or not you are able to attend the meeting, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjourned meeting(s) should you so wish.

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“Announcement”	the announcement of the Company dated 13 December 2007 in respect of the Brokerage Agreements and the Proposed Disposal
“Brokerage Agreements”	the brokerage agreement and the supplemental brokerage agreement both dated 13 December 2007 entered into between CMID and CMS in respect of the provision of securities brokerage services to CMID
“CMG”	China Merchants Group Limited, a company incorporated in the PRC with limited liability
“CMID”	China Merchants Industry Development (Shenzhen) Limited (招商局實業發展(深圳)有限公司), a company established in the PRC with limited liability and a wholly owned subsidiary of the Company
“CMS”	China Merchants Securities Co., Ltd, a company incorporated in the PRC with limited liability
“Company”	China Merchants China Direct Investments Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meanings ascribed to it under the Listing Rules
“Directors”	the directors of the Company (including the independent non-executive Directors)
“Disposable INDB Shares”	84,000,000 INDB A Shares, representing the entire number of INDB A Shares that are held by the Group and that will be freely tradable after the Lock-up Period and completion of necessary procedures as required under the relevant laws and regulations in the PRC
“EGM”	extraordinary general meeting proposed to be convened by the Company to consider and, if appropriate, to approve the grant of a disposal mandate for the Proposed Disposal
“Group”	the Company, its subsidiaries, jointly controlled entities and associated companies
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“INDB”	興業銀行股份有限公司 (Industrial Bank Co., Ltd.), a joint-stock commercial bank approved by the PBOC in the PRC with limited liability, whose A shares are listed on the SSE
“INDB A Shares”	domestic A shares of INDB subscribed in RMB, issued in the PRC and listed on the SSE
“Investment Manager”	China Merchants China Investment Management Limited, a fund management company incorporated in Hong Kong with limited liability and registered under the Securities & Futures Ordinance of Hong Kong
“Latest Practicable Date”	24 December 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lock-up Period”	The lock-up period of 12 months ending in February 2008 in accordance with the articles of association of INDB and in compliance with the relevant PRC laws and regulations
“PBOC”	The People’s Bank of China
“PRC”	the People’s Republic of China
“Proposed Disposal”	the proposed disposal of the Disposable INDB Shares by the Group
“Remaining Group”	the Group excluding its investment in the Disposable INDB Shares
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of US\$0.1 each in the share capital of the Company
“Shareholders”	shareholders of the Company
“SSE”	Shanghai Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of United States of America

*For illustrative purposes of this circular, RMB 1 = HK\$1.04, US\$1 = HK\$7.8 and US\$1 = RMB7.5.*

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LETTER FROM THE BOARD

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**CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED**  
**招商局中國基金有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 133)**

*Executive Directors:*

Dr. FU Yuning (*Chairman*)

Mr. HONG Xiaoyuan

Mr. CHU Lap Lik, Victor

Mr. XIE Kuixing

Mr. TSE Yue Kit

Ms. KAN Ka Yee, Elizabeth

*(Alternate to Mr. CHU Lap Lik, Victor)*

*Registered office:*

1803, China Merchants Tower

Shun Tak Centre

168–200 Connaught Road Central

Hong Kong

*Non-executive Directors:*

Dr. The Hon. David LI Kwok-po\*

Mr. KUT Ying Hay\*

Mr. WANG Jincheng\*

Mr. WANG Xingdong

Mr. LI Kai Cheong, Samson

*(Alternate to Dr. The Hon. David LI Kwok-po\*)*

\* *Independent Non-executive Director*

31 December 2007

*To the Shareholders*

Dear Sir or Madam,

**DISPOSAL MANDATE IN RELATION TO  
A PROPOSED DISPOSAL OF SHARES IN  
INDUSTRIAL BANK CO., LTD. –  
POSSIBLE VERY SUBSTANTIAL DISPOSAL**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 13 December 2007 on (i) the Brokerage Agreements entered into by the CMID, a wholly-owned subsidiary of the Company with CMS in relation to the securities brokerage service provided by CMS to CMID for a term of three years; and (ii) the Proposed Disposal.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with the information relating to the details of, and other disclosures in connection with the Proposed Disposal required under the Listing Rules, the notice of EGM for approving the Proposed Disposal and other information required by the Listing Rules.

### THE PROPOSED DISPOSAL

The Directors wish to announce that it is proposed to seek a disposal mandate from the Shareholders to allow the Directors to dispose of, through the trading mechanism of the SSE, the Disposable INDB Shares, which represent a total of 84,000,000 INDB A Shares held by the Group that will be freely tradable on the SSE after the Lock-up Period and completion of necessary procedures as required under the relevant laws and regulations in the PRC. The Group presently does not have any discussion with any party to dispose of the Disposable INDB Shares. Nevertheless, the Directors believe that it would be in the best interests of the Company to have the flexibility of disposing of the Disposable INDB Shares.

The INDB A Shares are listed on the SSE and, as at the date of the Announcement, the Company beneficially owns 84,000,000 INDB A Shares, representing approximately 1.68% interest of INDB. The Disposable INDB Shares represents the entire interest of the Group held in INDB.

If the Group proceeds with the Proposed Disposal and on the assumption that all the Disposable INDB Shares held by the Group are to be disposed of, the Proposed Disposal may constitute a very substantial disposal of the Company under Chapter 14 of the Listing Rules. As the Group may dispose of the Disposable INDB Shares on the SSE trading system, the Company will seek a disposal mandate from the Shareholders for the Proposed Disposal at the EGM, at the following terms:

1. the Group will dispose of the INDB A Shares in the open market through the SSE's trading system;
2. the selling price of the INDB A Shares will be the market price of the INDB A Shares at the relevant times. Market price refers to the price allowed under the trading system of the SSE, but will not be less than RMB28.00 (equivalent to approximately HK\$29.12) per INDB A Share which was determined with reference to the valuation of listed international banks and banks in the PRC and reflected the minimum selling price acceptable to the Directors; and
3. the disposal mandate is for a 12-month period from the passing of the relevant resolutions at the EGM.

As the Proposed Disposal is to be conducted only in the open market through the SSE, the Group will comply with all relevant laws and regulations, including any applicable trading regulations governing the Proposed Disposal in the PRC.

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## LETTER FROM THE BOARD

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Under the disposal mandate proposed to be granted to the Directors, the Group may dispose of the Disposable INDB Shares on the SSE through its trading mechanism, i.e. the bidding price dealing system. For the bidding price dealing system, the buyers and sellers of shares have no knowledge of the identities of the counterparties and the bidding system of the SSE will automatically match the trade at the right price. The bidding price shall not be more than 110% or less than 90% of the closing price of the trading day immediately before the date of bidding. The Group will delegate to the Investment Manager to handle all matters relating to the Proposed Disposal. In addition, the Company will form a board committee consisting of two members of the Investment Committee of the Company to monitor the process of execution of disposal orders, and requires the Investment Manager to report and clear with the board committee after the sales of every 5% of the Disposable INDB Shares held by the Group. All elaborations and decisions in relation to the timing, price and amount of the Proposed Disposal will be kept confidential.

Apart from the disposal mandate as mentioned above, if the Group negotiates with a third party to dispose of any or all of the Disposable INDB Shares at a price agreed by both parties and the transaction of which is not matched by the SSE trading system, the Company will comply with all the Listing Rules requirements at that time, if applicable. The disposal mandate to be sought from the Shareholders shall not cover the disposal of the Disposable INDB Shares by way of negotiation with third parties.

### **FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL**

If the Proposed Disposal is carried out, the Company will apply the proceeds from the Proposed Disposal for possible investments in the future and working capital of the Group.

The Group cumulatively invested RMB146 million (equivalent to approximately US\$17.62 million) in the Disposable INDB Shares and recorded significant revaluation gains since its acquisition. Based on the closing price of INDB A Shares as quoted on the SSE on the last trading day of the INDB A Shares immediately before the date of the Announcement, it is believed that the Proposed Disposal would not have an adverse effects on the earnings, total assets and total liabilities of the Group.

The Shareholders should note that the actual amounts of proceeds, accounting gain or loss and the effects on the net assets and earnings of the Group depend on the actual selling price of the Proposed Disposal.

The amount of the Disposable INDB Shares actually disposed of by the Group and the relevant proceeds will be set out in the relevant interim report and the annual report of the Company.

### **INFORMATION ABOUT INDB**

According to the annual report 2006 of INDB, INDB has over 300 branches and offices throughout the PRC. As of December 31, 2006, INDB had a registered capital of RMB3,999 million, which was subsequently increased to RMB5,000 million following the launching of initial public offerings on the SSE in February 2007. The main business activities of INDB include: deposits taking; provision of loans; provision of payment and settlement services; provision of

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## LETTER FROM THE BOARD

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bills acceptance and discounting; provision of services in the underwriting of bonds; provision of agency services in the underwriting, sale and cashing of government bonds; trading of governmental bonds and debentures; inter-bank placement and borrowings; purchase and sale of foreign currencies, either on its own behalf or on behalf of clients; provision of bank card business; provision of letter of credit-related services and guarantee facilities; agency collections and payment services; agency sales services of insurance; provision of safe-box services; and other banking services approved by the PBOC.

The following sets out a summary of financial information of INDB for the two years ended 31 December 2006 which were prepared under the PRC accounting standards:

	For the year ended 31 December			
	2006		2005	
	<i>(RMB million)</i>	<i>HK\$ million</i>	<i>(RMB million)</i>	<i>HK\$ million</i>
	(audited)	equivalent	(audited)	equivalent
Profit before taxation	5,046	5,248	3,545	3,687
Profit after taxation	3,798	3,950	2,465	2,564
Net asset value	16,200	16,848	12,785	13,296

As at 31 December 2006, the audited consolidated net asset value of INDB amounted to approximately RMB16,200 million (equivalent to approximately HK\$16,848 million). The Group held a 2.10% interest of INDB in 2005 and 2006. Dividend income received by the Group from INDB amounted to approximately US\$1.13 million (equivalent to approximately HK\$8.81 million) in 2005 and nil in 2006. The fair value gain on INDB attributable to the Group amounted to approximately US\$2.86 million (equivalent to approximately HK\$22.31 million) in 2005 and US\$31.26 million (equivalent to approximately HK\$243.83 million) in 2006.

The original investment cost of the Disposable INDB Shares (without taking into account the increase of the value of the assets in the book) was RMB146 million (equivalent to approximately HK\$152 million) and therefore the expected realized gain on the disposal of the Disposable INDB Shares based on the minimum price of RMB28 is RMB2,206 million (equivalent to approximately HK\$2,294 million).

The closing price of INDB A Shares as quoted on the SSE on the last trading day of the INDB A Shares immediately before the date of the Announcement was RMB51.32 (equivalent to approximately HK\$53.37).

### INFORMATION ABOUT THE COMPANY

The Company is an investment company and the shares of which are listed on the Main Board of the Stock Exchange. The Company specializes 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 hi-tech projects including through initial public offerings and/or pre-



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## LETTER FROM THE BOARD

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listing placements, and China-concept shares, “H” shares, “B” shares and any shares listed in the Stock Exchange provided that the main businesses or incomes of such companies are derived from the PRC including Hong Kong.

### **REASONS FOR AND BENEFITS OF THE DISPOSAL MANDATE IN RELATION TO THE PROPOSED DISPOSAL**

As stated in the Group’s 2007 interim report, the Group has been actively exploring new investment opportunities, and studied a number of investment projects during the reporting period. Some of the projects have been identified and are now under implementation. It is the strategy of the Group to look for investment opportunities that would bring in attractive capital gain in the long term. The proceeds from the Proposed Disposal will put the Group in a better and more flexible financial position to take advantage of current and other investment opportunities should they arise.

The Directors (including independent non-executive Directors) consider that the Proposed Disposal represents a good opportunity to realize a gain for the Group and will contribute to its cash flow. The Directors consider that the Proposed Disposal will be conducted in the best interests of the Company and the Shareholders as a whole and the disposal mandate in relation to the Proposed Disposal will give flexibility to the Directors to dispose of the Disposable INDB Shares at the appropriate times and prices in order to maximize the returns to the Group.

The Directors (including independent non-executive Directors) are of the view that the Proposed Disposal is fair and reasonable, after considering the business fundamentals of INDB, prevailing market sentiments and conditions, and the financial needs of the Group.

### **REGULATORY ASPECTS**

If the Group proceeds with the Proposed Disposal and on the assumption that all the Disposable INDB Shares held by the Group are to be disposed of, the Proposed Disposal may constitute a very substantial disposal of the Company under Chapter 14 of the Listing Rules. The Proposed Disposal will then be subject to the requirements of announcement, circular and the Shareholders’ approval under the Listing Rules.

To the best knowledge and belief of the Directors, after having made all reasonable enquiries, no Shareholder has a material interest in the matters which are the subject of the Proposed Disposal such that it must abstain from voting, and, accordingly, all Shareholders are permitted to vote at the EGM.

### **GENERAL**

Whether the Company will decide to or not to proceed with the Proposed Disposal will depend on a number of factors including without limitation prevailing market sentiments and market conditions at the proposed time of executing the Proposed Disposal. The decision will also be subject to compliance by the Company with all applicable requirements under the Listing Rules, including the obtaining of the approval from the Shareholders. While the Company currently intends to proceed with the Proposed Disposal after the applicable requirements under the Listing

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## LETTER FROM THE BOARD

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Rules are complied with, it should be emphasized that there is no assurance the Company will necessarily proceed with the Proposed Disposal. The Shareholders and other public investors of the Company are therefore advised to exercise extreme caution when dealing in the Shares.

### **EGM**

The Directors have resolved to convene the EGM to consider and, if thought fit to approve the Proposed Disposal by the Shareholders. Notice of the EGM is set out on pages 27 to 28 of this circular. Whether or not you are able to attend and vote at the EGM, you are requested to complete the enclosed proxy form and return it to the Company's registered office at 1803, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the proxy form will not preclude you from subsequently attending and voting at the EGM or any adjournment thereof should you so wish.

### **RIGHT TO DEMAND A POLL**

Pursuant to Article 80 of the Articles of Association of the Company, at any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is taken as may from time to time be required under the Listing Rules or any other applicable laws, rules or regulations or unless before, or on the declaration of the result of, the show of hands a poll is duly demanded:

- (a) by the chairman; or
- (b) by not less than three members present in person or by proxy or authorised representative for the time being entitled to vote at the meeting; or
- (c) by a member or members present in person or by proxy or authorised representative and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (d) by a member or members present in person or by proxy or authorised representative and holding shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

### **RECOMMENDATION**

The Directors consider that the Proposed Disposal is fair and reasonable and will be conducted in the interests of the Company and the Shareholders as a whole. Accordingly, the Board (including all the independent non-executive Directors) recommends the Shareholders to vote in favour of the ordinary resolution as set out in the notice of EGM.

By Order of the Board  
**Peter LEE Yip Wah**  
*Company Secretary*

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**APPENDIX I      FINANCIAL INFORMATION OF THE DISPOSABLE INDB SHARES**

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**UNAUDITED FINANCIAL INFORMATION ON THE DISPOSABLE INDB SHARES**

The following unaudited financial information of the Disposable INDB Shares has been prepared by the Group based on information shown in the underlying books and records of the Group for the three years ended 31 December 2004, 2005, 2006 and the six months ended 30 June 2007.

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	<b>Year ended 31 December</b>			<b>Six months ended 30 June</b>
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Gains/(loss) recognised in the income statements in relation to the Disposable INDB Shares:				
Dividend income	1,115,888	1,127,544	–	2,829,382
Gains arising from changes in the fair value of the Disposable INDB Shares	2,892,945	2,855,641	31,262,192	228,011,357
Deferred taxation	<u>(433,942)</u>	<u>(428,346)</u>	<u>(4,689,329)</u>	<u>(34,201,703)</u>

Please refer to the accounting policies set out in “Notes to the Accounts” in the annual reports of the Group for the financial year 2004, 2005, 2006 and in the interim report for the period ended 30 June 2007.

In accordance with paragraph 14.68(2)(b)(i) of the Listing Rules, the Directors have engaged Deloitte Touche Tohmatsu, the auditors of the Company, to perform certain factual finding procedures in accordance with Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed Upon Procedures Regarding Financial Information” issued by the Hong Kong Institute of Certified Public Accountants. The auditors have agreed the unaudited financial information of the Disposable INDB Shares to the underlying books and records of the Group and reported the factual findings to the Directors. Since the said agreed-upon procedures were agreed between the Directors and the auditors, they should not be used or relied upon by any other parties for any purposes. In the opinion of the Directors, such information has been properly compiled.

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## **APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP**

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### **UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP**

The unaudited pro forma financial information of the Remaining Group comprises an unaudited pro forma consolidated net assets statements as at 30 June 2007 and an unaudited pro forma consolidated income statement for the six months ended 30 June 2007 and the accompanying notes (collectively referred to as the “ Pro Forma Financial Information”).

For illustrative purposes only, the Pro Forma Financial Information prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules is set out below to illustrate the effect of the Proposed Disposal on the consolidated net assets of the Group as at 30 June 2007 as if the Proposed Disposal had taken place on 30 June 2007 and the consolidated income statement of the Group for the six months ended 30 June 2007 as if the Proposed Disposal had taken place on 1 January 2007.

The Pro Forma Financial Information has been prepared based on the unaudited consolidated financial statements of the Group for the six months ended 30 June 2007, after making pro forma adjustments relating to the Proposed Disposal that are directly attributable to the Proposed Disposal and are factually supportable.

The Pro Forma Financial Information has been prepared by the Directors for illustrative purposes only and, because of its hypothetical nature, it does not give a true picture of the actual financial position or results of the Group that would have been attained had the Proposed Disposal actually occurred. In addition, the Pro Forma Financial Information does not purport to predict the Group’s future financial position or results following completion of the Proposed Disposal.

**APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE REMAINING GROUP**

**Unaudited Pro Forma Consolidated Net Assets Statement of the Remaining Group**

	<b>The Group as at 30 June 2007 <i>Note (i)</i> US\$</b>	<b>Pro forma adjustments <i>Note (ii)</i> US\$</b>	<b>Pro forma the Remaining Group US\$</b>
<b>Non-current assets</b>			
Interests in associates	15,727,074		15,727,074
Financial assets at fair value through profit or loss	628,720,279	(290,231,554)	338,488,725
Other investments in financial assets	4,698,773		4,698,773
	<u>649,146,126</u>		<u>358,914,572</u>
<b>Current assets</b>			
Financial assets at fair value through profit or loss	2,753,001		2,753,001
Other receivables	2,095,041		2,095,041
Cash and bank balances	45,671,176	290,231,554	335,902,730
	<u>50,519,218</u>		<u>340,750,772</u>
<b>Current liabilities</b>			
Other payables	49,522,106		49,522,106
Taxation payable	65,331	40,662,958	40,728,289
	<u>49,587,437</u>		<u>90,250,395</u>
Net current assets	<u>931,781</u>		<u>250,500,377</u>
Total assets less current liabilities	650,077,907		609,414,949
<b>Non-current liability</b>			
Deferred taxation	85,812,509	(40,662,958)	45,149,551
<b>NET ASSETS</b>	<u><b>564,265,398</b></u>		<u><b>564,265,398</b></u>
<b>CAPITAL AND RESERVES</b>			
Share capital	14,914,560		14,914,560
Reserves	549,350,838		549,350,838
<b>TOTAL CAPITAL AND RESERVES</b>	<u><b>564,265,398</b></u>		<u><b>564,265,398</b></u>
<b>NET ASSET VALUE PER SHARE</b>	<u><b>3.783</b></u>		<u><b>3.783</b></u>

**APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE REMAINING GROUP**

**Unaudited Pro Forma Consolidated Income Statement of the Remaining Group**

	<b>The Group for the six months ended 30 June 2007</b> <i>Note (iii)</i> <i>US\$</i>	<b>Pro forma adjustments</b> <i>Note (iv)</i> <i>US\$</i>	<b>Pro forma the Remaining Group</b> <i>US\$</i>
Turnover	7,079,431	(2,829,382)	4,250,049
Increase in fair value of financial assets at fair value through profit or loss	364,336,547	(228,011,357)	136,325,190
Net gain on disposal of financial assets at fair value through profit or loss	31,512		31,512
Other income	1,096,215		1,096,215
Administrative expenses	(48,150,000)		(48,150,000)
Share of results of associates	<u>1,346,342</u>		<u>1,346,342</u>
Profit before taxation	325,740,047		94,899,308
Taxation	<u>(54,229,498)</u>	34,201,703	<u>(20,027,795)</u>
Profit attributable to equity shareholders	<u><u>271,510,549</u></u>		<u><u>74,871,513</u></u>
Earnings per share	<u><u>1.845</u></u>		<u><u>0.509</u></u>

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## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

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*Notes to the Pro Forma Financial Information:*

- (i) The amounts are based on the unaudited consolidated balance sheet of the Group as at 30 June 2007, which is extracted from the interim report of the Group for the six months ended 30 June 2007.
- (ii) The adjustments represent the disposal of the Disposable INDB Shares in cash. The Disposable INDB Shares were assumed to be sold at a total consideration of US\$290,231,554 (representing the fair value of the Disposable INDB Shares as of 30 June 2007). The previously recognised deferred tax liability of US\$40,662,958 was reversed to the income statement and a current tax liability of US\$40,662,958 was provided in the income statement and was determined based on the Enterprise Income Tax rate of 15%.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the “New Law”) by Order No.63 of the President of the PRC, which will change the tax rate from 15% to 25% from 1 January 2008 onwards. Further detailed measures and regulations of the New Law will be issued by the State Council in due course. Therefore, the actual tax liability may be different from the amounts shown in the Unaudited Pro Forma Financial Information.

- (iii) The amounts are based on the unaudited consolidated income statement of the Group for the six months ended 30 June 2007, which is extracted from the interim report of the Group for the six months ended 30 June 2007.
- (iv) The adjustments represent:
  - (a) the exclusion of gain on fair value changes on investment in the Disposable INDB Shares of US\$228,011,357, as if the Disposable INDB Shares were disposed of at 1 January 2007 at a total consideration of US\$61,746,514 (representing the fair value of the Disposable INDB Shares as of 1 January 2007).
  - (b) the reversal of dividend income and deferred tax liability at the amount of US\$2,829,382 and US\$34,201,703 respectively, for the six months ended 30 June 2007 in relation to the Disposable INDB Shares as if the Proposed Disposal were completed on 1 January 2007.
- (v) Since the actual amounts of consideration to be received from the Proposed Disposal may be substantially different from the amounts used in the preparation of the Pro Forma Financial Information, the actual gain/loss and cash received from the Proposed Disposal may be different from those amounts shown in the Unaudited Pro Forma Financial Information.

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## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

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Set out below is the letter from the auditors of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, on the unaudited pro forma financial information of the Remaining Group.

**Deloitte.**  
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### THE DIRECTORS

### CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED

Dear Sirs,

### ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

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"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the possible very substantial disposal of shares in Industrial Bank Co., Ltd. might have affected the financial information presented, for inclusion in Appendix II of the circular dated 31 December 2007 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on page 10 to the Circular.

### 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 (the "HKICPA").

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 HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the



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## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

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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 30 June 2007 or any future date; or
- the results of the Group for the six months ended 30 June 2007 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  
31 December 2007

*The information in this appendix in respect of the additional information on the Remaining Group was based on the financial statements set out in the interim report of the Company for the period ended 30 June 2007.*

## SEGMENT INFORMATION

Below is the review of direct investments of the Group:

**China Merchants Bank Company, Limited** (“CMB”), is the first joint-stock commercial bank established by enterprises in the PRC and the shares of which were first listed on the Shanghai Stock Exchange in 2002. CMB now has over 500 branches and offices across the country. The Group invested US\$14.06 million and held a 0.83% stake in CMB at the balance sheet date. CMB has announced that its unaudited net profit for the first half of 2007 was RMB6.12 billion, up 120% over the same period of the previous year. The unaudited net asset value as of the end of June 2007 was RMB4.03 per share. In the first half of 2007, the Group was entitled to receive a dividend for 2006 from CMB amounting to RMB14.71 million.

After completion of the share reform plan in February 2006, all of CMB’s non-tradable shares have been converted into tradable shares. The lock-up period of the shares of CMB held by the Group will expire in February 2008.

In May 2007, CMB announced that it will acquire a total of 33.4% of equity interests (of which 3.4% will be acquired from China Merchants Securities Company, Limited) in China Merchants Fund Company, Limited (a securities investment fund management company registered in the PRC) from four companies. Upon completion of the equity transfer, CMB will become the largest shareholder of China Merchants Fund Company, Limited.

**Industrial Bank Company, Limited** (“IBCL”) is a joint-stock commercial bank registered in the PRC with over 300 branches and offices throughout the country. Since 1998, the Group has cumulatively invested RMB146 million (equivalent to US\$17.62 million) in IBCL and held a 1.68% equity interest in IBCL at the balance sheet date. IBCL has announced that its unaudited net profit in the first half of 2007 was RMB3.64 billion, up 109% over the same period of the previous year. The unaudited net asset value as of the end of June 2007 was RMB6.92 per share. In the first half of 2007, the Group received from IBCL a dividend of RMB21.84 million for 2006.

IBCL’s A Shares were successfully listed on the Shanghai Stock Exchange on 5 February 2007, and a total of 1.001 billion new A Shares were simultaneously issued. The Group’s equity interest in IBCL was thus diluted from 2.10% to 1.68%. As stipulated by the Company Law of the PRC and the articles of association of IBCL, the Group’s equity interest in IBCL is subject to a lock-up period of one year from the date of listing.

**China Credit Trust Company, Limited** (“CCT”) was established in 1995 and formerly known as China Coal Trust Company, Limited. Its principal activities are trust management, fund management, investments and loan financing. The Group now holds a 6.8167% stake in CCT by investing US\$15.31 million in 2005. CCT’s unaudited net profit for the first half of 2007 was RMB356

million, up 550% over the same period of the previous year. This was mainly attributable to the significant increase in income from securities investment. In the first half of 2007, the Group received from CCT a dividend of US\$1.40 million for 2006.

In April 2007, a resolution was duly passed at the CCT's shareholders meeting approving in principle the capital enlargement proposal and the introduction of a new investor as shareholder. In addition, the management of CCT was authorised to negotiate with the new investor. The relevant work is now in progress.

**China Merchants Securities Company, Limited** ("CMSC") is a comprehensive securities company registered in the PRC. Its businesses include IPO sponsorship, securities underwriting, brokerage, proprietary trading, investment consulting and financial advisory. The Group invested RMB13.05 million (equivalent to US\$1.58 million) in 2001 and held a 0.28% equity interest in CMSC at the balance sheet date. During the first half of 2007, the domestic stock market continued to flourish with significant increase in trading volume, and thus the unaudited operating income of CMSC grew tremendously to RMB4.39 billion, representing an increase of 415% over the same period of the previous year. CMSC's unaudited net profit in the first half of 2007 was RMB2.40 billion, up 464% over the same period of the previous year.

According to the securities companies rankings per financial indicators of year 2006 published in May of 2007 by the Securities Association of China, amongst 103 securities companies, CMSC ranked the 8th in terms of operating income and the 7th in terms of net profit.

As approved by the regulatory authority, CMSC opened up securities sales offices in Beijing, Shanghai and Shenzhen during June 2007, designated for institutional clients, being the first securities company in the industry setting up sales offices exclusively for institutional clients.

CMSC held a shareholders meeting in June 2007, at which a resolution regarding the application for the listing of A Shares was duly passed. CMSC is now actively preparing for the listing of A Shares.

**Industrial Securities Company, Limited** ("ISCL") is a comprehensive securities company registered in the PRC. Its businesses include IPO sponsorship, securities underwriting, brokerage, proprietary trading and investment consulting. The Group invested RMB8.51 million (equivalent to US\$1.03 million) in 1999 and now holds a 0.74% equity interest in ISCL. Benefiting from the booming domestic stock market, ISCL's unaudited net profit in the first half of 2007 was RMB990 million, representing an increase of 544% over the same period in the previous year. Since the huge accumulated losses sustained in previous years have been offset, the Group revalued this investment during the reporting period and recorded a gain of US\$1.65 million.

With the approval of a capital enlargement proposal by the shareholders meeting held in March 2007, ISCL will issue 600 million new shares so as to increase its registered capital from RMB908 million to RMB1,508 million. The capital enlargement proposal is pending the approval of China Securities Regulatory Commission ("CSRC"). Upon completion of the capital enlargement exercise, the Group's equity interest in ISCL will be diluted to 0.45%.

A foreign investor is acquiring the equity interests in Industrial Fund Management Company, Limited. Upon completion of the acquisition, ISCL will increase its equity interest in Industrial Fund Management Company, Limited from 48.98% to 51% while the foreign investor will hold the remaining 49%. The transaction is pending the approval of relevant regulatory authorities.

**Jutian Securities Company, Limited** (“Jutian Securities”) is one of the earliest comprehensive securities companies established in the PRC. In 2001, the Group invested RMB35.36 million (equivalent to US\$4.27 million) in Jutian Securities, representing an equity interest of 4.66%. The Group already made a full provision for this investment in 2005.

On 13 October 2006, the CSRC appointed an Administrative Liquidation Working Team to conduct administrative liquidation against Jutian Securities, and simultaneously appointed CMSC to act as custodial body and to exercise administrative takeover of Jutian Securities’ brokerage business and all sales offices. Presently, the administrative liquidation work is in its final stage.

On 1 June 2007, Jutian Securities formally transferred its 16 sales offices to CMSC. Prior to that, Jutian Securities has been deprived of its qualification to operate securities business. Benefiting from the buoyant domestic stock market, Jutian Securities recorded a significant income and profit generated during the administrative takeover period, enabling Jutian Securities to have sufficient funds to return its clients’ deposits. Jutian Securities is now applying to maintain its legal person qualification so as to facilitate the orderly disposal of its assets and exercise of its creditor’s rights. Such application is pending the approval of relevant regulatory authorities. The Group will monitor the progress of assets disposal and debts recovery of Jutian Securities.

**Jutian Fund Management Company, Limited** (“JFM”), was set up in 2003 with a registered capital of RMB100 million. The Group invested RMB10 million (equivalent to US\$1.21 million) in 2003 and now holds a 10% equity interest in JFM. In the first half of 2007, JFM’s unaudited net profit was RMB34.22 million while a loss of RMB1.27 million was sustained in the same period of last year.

While Jutian Securities, the major shareholder of JFM, was forced into administrative liquidation by the CSRC in October 2006, the CSRC also suspended JFM’s application for the setting up of new funds. However, with the help of the robust domestic investment markets and investors’ active participation in fund investment, size of the funds managed by JFM increased from RMB285 million at the end of last year to RMB1,390 million at the end of June 2007.

**Zhaoyuan Jinbao Electronics Company, Limited** (“Jinbao”) was set up in 1993 in Zhaoyuan City of Shandong Province as a manufacturer of copper-foil and laminates. The Group owns a 30% equity interest in Jinbao and has made a cumulative investment of US\$7.85 million. For the first half of 2007, Jinbao’s unaudited sales revenue amounted to RMB510 million, which was about the same level as the first half of last year. Jinbao’s unaudited net profit reached RMB29.22 million, representing an increase of 18% as compared with the same period of last year.

The board meeting of Jinbao held on 8 July 2006 resolved to promote the listing of Jinbao on the domestic A-Share market. The preparation work for listing is still undergoing.

**Langfang Oriental Education Facilities Development Company, Limited** (“Oriental”) is a Sino-foreign cooperative joint venture established in Langfang City of Hebei Province. The total project cost is US\$20 million, with a 20-year contractual period. In June 2002, the Group invested US\$5 million for an equity interest of 25%. Oriental’s unaudited net profit in the first half of 2007 was RMB5.63 million, representing an increase of 245% over the same period of last year.

Oriental is engaged in the operation and management of the Phase 1 dormitories of Oriental University City of Langfang City. Current capacity of the Phase 1 dormitories is about 17,000 students. It accommodated some 16,000 students in the school year of 2006/2007, a remarkable increase when compared with some 14,000 students in the school year of 2005/2006. Except for those with relatively low quality, most of the rooms have been occupied.

**Shenzhen Mankam Square** (“Mankam”) is a 33-storey commercial complex on North Wen Jin Road, Shenzhen. In 1994, the Group invested US\$4.30 million through a 35% holding in Hansen Enterprises Limited to purchase 5,262 square metres of retail space on the third floor of Mankam. The Group already made a full provision for this investment in 2005. The Group is still seeking sales opportunity for Mankam.

**China Merchants Plaza (Shanghai) Property Company, Limited** (“China Merchants Plaza”) was established in Shanghai in 1994 to be engaged in the development of a commercial complex. The Group invested US\$5.685 million in 1994 and now holds an effective equity interest of 19.8% in China Merchants Plaza. The commercial complex developed by China Merchants Plaza is a 28-storey office/shop building located at North Chengdu Road, Jingan District, Shanghai, with a total saleable area of 60,086 square metres, of which 49,438 square metres are kept for long term rental income. The Group already made a full provision for this investment in 2000 due to huge accumulated losses resulting mostly from financial charges incurred in previous years. In the first half of June 2007, China Merchants Plaza’s unaudited net profit amounted to RMB2.97 million, representing an increase of 6.5% over the same period of last year.

## PROSPECTS

The year-on-year GDP growth of the Chinese economy accelerated to 11.5% in the first half of 2007 against 10.9% recorded in the same period of last year. The consumer price index rose 3.2% year-on-year in the first half of the year and even hitting 6.5% in August, a record high in recent years. It is believed that the central government will step up its austerity measures in the first half of 2008 to prevent the economy from overheating. Nevertheless, it is believed that the Chinese economy will keep on growing at a steady but relatively rapid pace. The Group’s investments in financial services, which already account for a major portion of the Group’s portfolio continue to benefit from the healthy growth of the economy and the deepening of market reforms. In the meantime, it continues to bring more business opportunities for the Group to invest in other industries. The Group continuously makes every effort to identify suitable investment projects, while it actively helps promoting the listing of its portfolio projects as the case may be, and tries to exit from projects on a timely basis so as to seek better returns for shareholders.

**LIQUIDITY AND FINANCIAL RESOURCES AND POLICY**

In January 2007, the Company entered into a placing and subscription agreement to place 12 million ordinary shares by way of placing and top-up subscription and successfully raised an amount of US\$29.17 million.

The Group's cash on hand increased by 65%, from US\$27.67 million as of the end of last year to US\$45.67 million as of 30 June 2007. The increase was mainly due to the completion of the fund raising exercise during the reporting period.

As of 30 June 2007, the Group had no outstanding bank loans or capital commitments.

**EMPLOYEES AND REMUNERATION POLICIES**

Other than a qualified accountant whose remuneration is immaterial to the Company and no bonus and option schemes are granted, the Company has no employees.

**FOREIGN EXCHANGE RISK**

Since the People's Bank of China announced the reform of the Renminbi ("RMB") exchange rate regime in 2005, the exchange rate of RMB against USD has been appreciating gradually. The Group has been benefiting from the continual appreciation of the RMB.

**MATERIAL ACQUISITION OF INVESTMENT**

The Group has actively explored new investment opportunities, and has studied a certain number of potential investment projects. As at the Latest Practicable Date, the Group intended to enter into a subscription agreement and a limited partnership agreement with NBA China General Partner, Ltd. for subscription of an interest as a limited partner in NBA China, L.P. at a consideration of US\$23 million. The funding of this subscription will be satisfied by internal resources of the Group.

**1. RESPONSIBILITY STATEMENT**

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

**2. STATEMENT OF INDEBTEDNESS**

At the close of business on 30 November 2007, being the latest practicable date for the purpose of this indebtedness statement prior to printing of this circular, apart from the intra-group liabilities, the Group did not have any outstanding borrowings, mortgages, charges, debentures, loan capital or overdrafts, or other charges, or other similar indebtedness, finance leases, or hire-purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities as at 30 November 2007.

**3. WORKING CAPITAL**

The Directors are of the opinion that taking into account the Group's internal resources and the estimated net proceeds from the Proposed Disposal, the Group has sufficient working capital, without relying on any external facilities, for its present requirements for at least the next twelve months from the date of this circular.

**4. DIRECTORS' AND CHIEF EXECUTIVE'S DISCLOSURE OF INTERESTS**

As at the Latest Practicable Date, the interest and short positions of the Directors and chief executive in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which 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 or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

**(i) Long position in the ordinary shares in the Company**

Name of Director	Capacity	Nature of interests	Number of Shares Held	Percentage of total issued share capital as at the Latest Practicable Date
Mr. Victor Lap-Lik Chu	Interest of Controlled Corporation	Corporate	6,900,000	4.63%

*Note: Mr. Victor Lap-Lik Chu is deemed to have interest in 6,900,000 shares of the Company in which China Bright Holdings Limited is interested.*

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO which were required, (i) 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 (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to the Model Code of the Listing Rules to be notified to the Company and the Stock Exchange.

## 5. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS

As at the Latest Practicable Date, so far as is known to the Directors and chief executives of the Company, the persons (other than Directors or chief executives of the Company) who have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group are as follows:

### Long and Short positions in the shares, underlying shares and debentures of the Company

Shareholder	Long/Short Position	Capacity	Number of shares held	Approximate percentage in the Company's share capital
<b>Substantial shareholders:</b>				
China Merchants Group Limited ( <i>Note 3</i> )	Long Position	Interest of controlled corporation	34,359,760	23.04%
China Merchants Steam Navigation Company Limited ( <i>Note 3</i> )	Long Position	Interest of controlled corporation	34,359,760	23.04%
China Merchants Holdings (Hong Kong) Company Limited ( <i>Note 1</i> )	Long Position	Interest of controlled corporation	34,359,760	23.04%
China Merchants Finance Holdings Company Limited ( <i>Note 2</i> )	Long Position	Interest of controlled corporation	34,359,760	23.04%
China Merchants Financial Services Limited ( <i>Note 3</i> )	Long Position	Interest of controlled corporation	33,989,760	22.79%
Good Image Limited	Long Position	Beneficial owner	33,989,760	22.79%



Shareholder	Long/Short Position	Capacity	Number of shares held	Approximate percentage in the Company's share capital
<b>Substantial shareholders:</b>				
Deutsche Bank Aktiengesellschaft	Long Position	Beneficial owner	1,823,947	7.06%
		Security interest	8,707,053	
	Short Position	Beneficial owner	162,000	0.11%
Lazard Asset Management LLC	Long Position	Investment Manager	7,706,000	5.17%
華夏全球精選股票型證券投資基金	Long Position	Beneficial owner	9,682,000	6.49%

*Note 1:* The company 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:* The company 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:* The company is 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 above, 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 Division 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

## 6. COMPETING INTERESTS

Mr. CHU Lap Lik, Victor and Ms. KAN Ka Yee, Elizabeth (being alternate to Mr. CHU Lap Lik, Victor) being the Directors are also the directors of various companies within First Eastern Investment Group which is actively involved in direct investments in the PRC and which may compete, either directly or indirectly with businesses of the Group. However, the Company is capable of carrying on its business independently of, and at arms length from, the businesses of First Eastern Investment Group. If conflict of interest arises on the part of Mr. CHU or Ms. KAN (being alternate to Mr. CHU) as the case may be, Mr. CHU or Ms. KAN shall, pursuant to the Articles of Association of the Company, not vote or be counted in the quorum on the relevant resolution of the Board.

As at the Latest Practicable Date, save as disclosed above, in so far as the Directors are aware, none of the Directors or any of their respective associates had an interest in a business that competes or may compete with the business of the Group.

**7. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors has entered, or is proposing to enter, into any service contract with the Company or its subsidiaries which is not expiring or may not be terminated by the Company within a year without payment of any compensation (other than statutory compensation).

**8. INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTEREST**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to any member of the Group.

China Merchants China Investment Management Limited continues to be the Investment Manager of the Company for both listed and unlisted investments. Mr. Hong Xiaoyuan, Mr. Chu Lap Lik, Victor, Mr. Xie Kuixing and Mr. Tse Yue Kit are Directors of both the Company and Investment Manager. Mr. Chu Lap Lik, Victor and Ms. Kan Ka Yee, Elizabeth have indirect beneficial interests in the Investment Manager.

The Investment Management Agreement (the "Agreement") became effective on 15 July 1993 and was for an initial term of five years and is thereafter automatically renewed for further periods of three years after the expiry of each fixed term unless the appointment is terminated by the Board either on six months' notice prior to the expiry of each term or with the sanction of shareholders in general meeting at any time if the Company suffers major losses due to the gross negligence of the Investment Manager.

Other than the Agreement mentioned above, no contracts of significance, to which the Company or any related company or subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the Latest Practicable Date.

As at the Latest Practicable Date, save as disclosed above, none of the Directors is materially interested in any contract or arrangement which is significant in relation to the business of the Company.

**9. MATERIAL CONTRACTS**

The following contracts, not being contracts in the ordinary course of business, have been entered into by the Group within the two years preceding the date of this circular:

On 30 June 2006, the Group entered into a share transfer agreement with China Merchants Financial Services Limited, a connected person of the Group in relation to the disposal of its 10% equity interest in Houlder China Insurance Brokers Limited at a cash consideration of approximately US\$625,039. The transaction was completed on 31 July 2006. The Group recorded a loss of approximately US\$26,282 from the transaction.

On 25 July 2006, the Group entered into a share transfer agreement with two independent third parties in relation to the disposal of its 30% equity interest in Chenzhou Heshang Environmental Protection Company Limited at a total cash consideration of RMB18.5 million. As a part of the transaction, the Group had received a full repayment of shareholder's loan of RMB10.5 million. The transaction was completed on 21 October 2006. The Group obtained an internal rate of return of approximately 16% from the project.

## **10. LITIGATION**

So far as the Directors are aware, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or arbitration of material importance was pending or threatened against the Company or any of its subsidiaries as at the Latest Practicable Date.

## **11. EXPERT**

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
Deloitte Touche Tohmatsu	Certified Public Accountants

Deloitte Touche Tohmatsu has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which they respectively appear.

Deloitte Touche Tohmatsu does not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Deloitte Touche Tohmatsu does not have any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Company were made up, acquired or disposed of any or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

## **12. 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 share registrar of the Company is Computershare Hong Kong Investor Services Ltd. at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

- (c) The Company Secretary of the Company is Mr. Peter Y. W. Lee who is a practising solicitor, a consultant of Messrs. Woo, Kwan, Lee & Lo, Solicitors & Notaries and a China appointed attesting officer.
- (d) The qualified accountant of the Company is Mr. Sunny L. S. Ho who is a member of the Hong Kong Institute of Certified Public Accountants.

**13. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the registered office of the Company at 1803, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong during normal business hours up to and including the date of the EGM (and any adjournment thereof):

- (a) the memorandum and articles of association of the Company;
- (b) the material contracts referred to in the section headed “Material contracts” in this Appendix;
- (c) the letter from Deloitte Touche Tohmatsu reporting on the unaudited pro forma financial information of the Remaining Group as set out in Appendix II to this circular;
- (d) the written consent referred to under the section headed “Expert and Consent” in this Appendix; and
- (e) the annual reports of the Company for each of the two years ended 31 December 2005 and 2006 and the interim report for the period ended 30 June 2007.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED

### 招商局中國基金有限公司

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 133)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of China Merchants China Direct Investments Limited (the “Company”) will be held on Wednesday, 16 January 2008 at 2:30 p.m., at Narcissus Room, 27/F, The Park Lane Hotel Hong Kong, 310 Gloucester Road, Hong Kong, to consider, and, if thought fit, pass the following resolution (with or without modifications) as an ordinary resolution of the Company:

**“THAT:**

- (a) the disposal (the “Disposal Mandate”) of up to 84,000,000 A shares (“INDB A Shares”) in 興業銀行股份有限公司 (Industrial Bank Co., Ltd.), a joint-stock commercial bank approved by the People’s Bank of China in the People’s Republic of China with limited liability, whose A shares are listed on the Shanghai Stock Exchange (“SSE”) by the Company, its subsidiaries, jointly controlled entities and associated companies, for a period of 12 months from the date of passing of this resolution on the following conditions be and is hereby approved:
1. the Group will dispose of the INDB A shares in the open market through the SSE’s trading system; and
  2. the selling price of the INDB A Shares will be the market price of the INDB A Shares at the relevant times. Market price refers to the price allowed under the trading system of the SSE, but will not be less than RMB28.00 (equivalent to approximately HK\$29.12) per INDB A Share.
- (b) the directors of the Company be and are hereby authorised to do all things, including but not limited to the execution of all documents, which the directors deem to be necessary or desirable to effect the foregoing or in connection with the Disposal Mandate.”

By Order of the Board  
**Peter LEE Yip Wah**  
*Company Secretary*

Hong Kong, 31 December 2007

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Registered office:*

1803, China Merchants Tower  
Shun Tak Centre  
168–200 Connaught Road Central  
Hong Kong

*Notes:*

- (1) A member entitled to attend and vote at the meeting is entitled to appoint more than one proxy to attend and vote instead of him. A proxy need not be a member of the Company.
- (2) In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a copy of such authority notarially certified, must be deposited at the Company's registered office at 1803 China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting.
- (3) As at the date hereof, the Board of Directors of the Company comprises nine Directors, of which five are Executive Directors, namely Dr. FU Yuning, Mr. HONG Xiaoyuan, Mr. CHU Lap Lik, Victor, Mr. XIE Kuixing and Mr. TSE Yue Kit; and one is Non-executive Director, namely Mr. WANG Xingdong; and three are Independent Non-executive Directors, namely Dr. The Hon. David LI Kwok-po, Mr. KUT Ying Hay and Mr. WANG Jincheng. In addition, Ms. KAN Ka Yee, Elizabeth is the Alternate Director to Mr. CHU Lap Lik, Victor, and Mr. LI Kai Cheong, Samson is the Alternate Director to Dr. The Hon. David LI Kwok-po.