THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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, together with the enclosed proxy form, 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.

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)

PROPOSED SUBSCRIPTION FOR RIGHTS ISSUE OF A SHARES OF CHINA MERCHANTS BANK CO., LTD.

POSSIBLE VERY SUBSTANTIAL DISPOSALS — RENEWAL OF THE MANDATES FOR THE PROPOSED DISPOSAL OF SHARES IN CHINA MERCHANTS BANK CO., LTD. AND INDUSTRIAL BANK CO., LTD.

A letter from the board of directors of China Merchants China Direct Investments Limited (the "**Company**") is set out on pages 5 to 20 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at Lavender Room, 27/F, The Park Lane Hotel Hong Kong, 310 Gloucester Road, Hong Kong at 2:30 p.m. on Monday, 14 December 2009 (the "**EGM**") is set out on pages 56 to 58 of this circular. Whether or not you are able to attend and/or vote at the EGM in person, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return it to the registered office of the Company at 1803, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form shall not preclude you from subsequently attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

Hong Kong, 27 November 2009

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Unless the context otherwise requires, the following terms in this circular shall have the meanings set out below:

"2008 Disposal Mandates"	the disposal mandates granted to the Directors by the Shareholders at the extraordinary general meeting of the Company held on 15 December 2008 to dispose of up to 120,623,078 CMB A Shares and 79,800,000 IBC A Shares held by the Group for a period of 12 months from the passing of the relevant resolutions, the details of which were set out in the announcement of the Company dated 11 November 2008 and the circular of the Company dated 29 November 2008
"Board"	board of Directors
"Allocation Assumption"	the assumed allocation ratio of 2.13 CMB Rights Shares for every 10 existing CMB Shares, being the maximum allocation basis for the CMB Rights Issues after taking into account the maximum gross proceeds of the CMB Rights Issues at RMB22 billion and the Subscription Price Assumption
"Assumptions"	the Allocation Assumption and Subscription Price Assumption
"CBRC"	China Banking Regulatory Commission
"CMB"	招商銀行股份有限公司 (China Merchants Bank Co., Ltd.), a joint-stock commercial bank approved by the CBRC in the PRC with limited liability, whose A and H shares are listed on the SSE and the Stock Exchange respectively
"CMB A Shares"	PRC-listed domestic shares of par value of RMB1.00 each in the registered capital of CMB
"CMB A Rights Issue"	the revised proposed rights issue of CMB A Shares on the basis of up to two and a half (2.5) CMB A Rights Shares for every ten (10) existing CMB A Shares, the details of which have been set out in the CMB Circular
"CMB A Rights Shares"	the new CMB A Shares proposed to be allotted and issued pursuant to the CMB A Rights Issue
"CMB Circular"	the circular issued by CMB on 2 September 2009 in relation to the CMB Rights Issues
"CMB Disposal Mandate"	the disposal mandate proposed to be granted by the Shareholders to the Directors to dispose of the CMB Interests during the Mandate Period

"CMB H Shares"	overseas listed foreign share(s) in the registered capital of CMB
"CMB H Rights Issue"	the revised proposed rights issue of CMB H Shares on the basis of up to two and a half (2.5) CMB H Rights Shares for every ten (10) existing CMB H Shares, the details of which have been set out in the CMB Circular
"CMB H Rights Shares"	the new CMB H Shares proposed to be allotted and issued pursuant to the CMB H Rights Issue
"CMB Interests"	the 115,770,002 CMB A Shares held by the Company as at the Latest Practicable Date and the 24,659,010 CMB A Rights Shares estimated to be allotted and issued to the Company pursuant to the CMB A Rights Issue which are freely tradable on the SSE, representing the entire interest held by the Group in CMB
"CMB Rights Issues"	the CMB A Rights Issue and CMB H Rights Issue
"CMB Rights Shares"	the CMB A Rights Shares and CMB H Rights Shares
"Company"	China Merchants China Direct Investments Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange
"Conditions"	the conditions on which the Waiver was granted by the Stock Exchange
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Directors"	the directors of the Company
"Disposal Announcement"	the announcement of the Company dated 9 November 2009 in relation to the Proposed Disposals
"Disposal Mandates"	the CMB Disposal Mandate and IBC Disposal Mandate
"EGM"	the extraordinary general meeting proposed to be convened by the Company to consider and, if thought fit, to approve the grant of mandates for the Proposed Subscription and Proposed Disposals
"Ex-rights Loss"	the net asset value loss of approximately RMB267 million for the CMB A Shares held by the Company on the ex-rights date of the CMB A Rights Issue based on the Assumptions if the Company does not subscribe for any CMB A Rights Shares

"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
"IBC"	興業銀行股份有限公司 (Industrial Bank Co., Ltd.), a joint-stock commercial bank approved by the CBRC in the PRC with limited liability, whose A shares are listed on the SSE
"IBC Announcement"	the announcement issued by IBC on 23 November 2009 in relation to the IBC A Rights Issue
"IBC A Shares"	PRC-listed domestic shares of par value of RMB1.00 each in the registered capital of IBC
"IBC A Rights Issue"	the proposed rights issue of IBC A Shares on the basis of up to two and a half (2.5) IBC A Rights Shares for every ten (10) existing IBC A Shares, the details of which have been set out in the IBC Announcement
"IBC A Rights Shares"	the new IBC A Shares proposed to be allotted and issued pursuant to the IBC A Rights Issue
"IBC Disposal Mandate"	the disposal mandate proposed to be granted by the Shareholders to the Directors to dispose of the IBC Interests during the Mandate Period
"IBC Interests"	the 47,900,000 IBC A Shares held by the Company as at the Latest Practicable Date which are freely tradable on the SSE, representing the entire interest held by the Group in IBC
"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
"Investment Restriction"	the investment restriction resolved by the Board as disclosed in the Prospectus of the Company dated 15 July 1993
"Latest Practicable Date"	23 November 2009, 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

"Mandate Period"	twelve calendar months from the passing of the relevant resolution(s) at the EGM
"PRC"	the People's Republic of China
"Proposed CMB Disposal"	the proposed disposal of the CMB Interests by the Group pursuant to the CMB Disposal Mandate
"Proposed Disposals"	the Proposed CMB Disposal and Proposed IBC Disposal
"Proposed IBC Disposal"	the proposed disposal of the IBC Interests by the Group pursuant to the IBC Disposal Mandate
"Proposed Subscription"	the proposed subscription for CMB A Rights Shares by the Company pursuant to the CMB A Rights Issue
"Remaining Group"	the Group excluding its investments in the CMB Interests or the IBC Interests
"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$0.1 each in the share capital of the Company
"Shareholders"	shareholders of the Company
"SSE"	Shanghai Stock Exchange
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Announcement"	the announcement of the Company dated 21 October 2009 in relation to the Proposed Subscription
"Subscription Price Assumption"	the assumed subscription price of RMB5.41 per CMB Rights Share, being the minimum subscription price of the CMB Rights Issues as set out in the CMB Circular
"Waiver"	the waiver from strict compliance with Rule 21.04(3)(b) of the Listing Rules granted by the Stock Exchange on 16 October 2009
"US$"	United States dollars, the lawful currency of United States of America
"%"	per cent

For illustrative purposes in this circular only, RMB1 = HK$1.1339, US$1 = HK$7.7501 and US$1 = RMB6.8346

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:
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)

Independent non-executive Directors:
Mr. KUT Ying Hay
Mr. WANG Jincheng
Mr. LI Kai Cheong, Samson

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

27 November 2009

To the Shareholders

Dear Sir or Madam,

PROPOSED SUBSCRIPTION FOR RIGHTS ISSUE OF A SHARES OF CHINA MERCHANTS BANK CO., LTD.

POSSIBLE VERY SUBSTANTIAL DISPOSALS — RENEWAL OF THE MANDATES FOR THE PROPOSED DISPOSAL OF SHARES IN CHINA MERCHANTS BANK CO., LTD. AND INDUSTRIAL BANK CO., LTD.

1. INTRODUCTION

Reference is made to the Subscription Announcement and Disposal Announcement in relation to the Proposed Subscription and Proposed Disposals. The purpose of this circular is to provide you with further details of, and other disclosures in connection with, the Proposed Disposals required under the

Listing Rules, including the financial information of the CMB Interests and IBC Interests required under Rule 14.68(2) of the Listing Rules, together with the notice of the EGM for approving the Proposed Subscription and Proposed Disposals and other information required by the Listing Rules.

2. THE PROPOSED SUBSCRIPTION

(A) Background

The CMB Interests

From 1994 to 1998, the Company acquired certain domestic shares of CMB. The Company's holdings in CMB were converted into CMB A Shares pursuant to CMB's share reform plan in 2006 and were subject to lock-up until early 2008. After CMB's share reform plan and the Company's various disposals of its holdings in CMB since early 2008, as at the Latest Practicable Date, the Company held 115,770,002 CMB A Shares, representing approximately 0.61% of CMB's issued share capital based on publicly available information.

The CMB Rights Issues

On 19 October 2009, CMB obtained approval by its shareholders to launch the proposed CMB Rights Issues. Details of the CMB Rights Issues are set out in the CMB Circular. According to the CMB Circular, the CMB Rights Issues will be conducted on the basis of: (i) up to 2.5 CMB Rights Shares for every 10 existing CMB Shares; (ii) the gross proceeds of the CMB Rights Issues will be not less than RMB18 billion and not more than RMB22 billion; and (iii) the CMB Rights Shares will be issued at not less than RMB5.41 per CMB Rights Share (i.e. the "**Subscription Price Assumption**").

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

The Proposed Subscription

Based on the Allocation Assumption, the Company estimates approximately 24,659,010 CMB A Rights Shares will be allotted and issued to the Company in nil-paid form pursuant to the CMB A Rights Issue (subject to final determination of CMB). For the reasons discussed in the paragraph "Reasons for the Proposed Subscription" below, the Company plans to subscribe for its CMB A Rights Shares in full. Based on the Subscription Price Assumption, the Company estimates the cost of the Proposed Subscription is approximately RMB133 million (subject to final determination of CMB). The Proposed Subscription is subject to Shareholders' approval as one of the Conditions of the Waiver. Please refer to the paragraph "Regulatory Issues in relation to the Proposed Subscription — Conditions of the Waiver" below for details.

The IBC Interests

Before IBC's listing in Shanghai in early 2007, the Company acquired certain domestic shares of IBC. After IBC's listing, the Company's holdings in IBC were subject to lock-up until early 2008.

After the Company's various disposals of its holdings in IBC since early 2008, as at the Latest Practicable Date, the Company held 47,900,000 IBC A Shares, representing approximately 0.96% of IBC's issued share capital based on publicly available information.

(B) Reasons for the Proposed Subscription

The Company understands that there is no arrangement for trading in nil-paid CMB A Rights Shares under the CMB A Rights Issue. Based on the Assumptions and the price of RMB18.54 per CMB A Share (being the closing price of CMB A Shares on the Latest Practicable Date), the theoretical ex-rights price is approximately RMB16.23 per CMB A Share. If the Company does not subscribe for any of its CMB A Rights Shares, the Company will suffer a net asset value loss of approximately RMB267 million for the CMB A Shares held by it on the ex-rights date based on the Assumptions (i.e. the "**Ex-rights Loss**").

While it has been the Company's known policy to dispose of the CMB A Shares held by it in gradual manner, the Company believes that the Shareholders will be benefited from the Company subscribing for CMB A Rights Shares in the CMB A Rights Issue, to be followed by disposal of such CMB A Rights Shares within a reasonable timeframe. In light of the above circumstances, the Company is of the view that the Proposed Subscription would be in the best interests of the Shareholders.

(C) Regulatory Issues in Relation to the Proposed Subscription

Rule 21.04(3)(b) of the Listing Rules

Rule 21.04(3)(b) of the Listing Rules provides that an investment company and its management must ensure compliance at all times while it remains listed under Chapter 21 of the Listing Rules that "a reasonable spread of investments will be maintained by the investment company. Generally this will mean that the value of its holding of investments issued by any one company or body shall not exceed 20% of the investment company's net asset value at the time when such investment is made".

The Investment Restriction

As disclosed in the Prospectus of the Company dated 15 July 1993, the Board has resolved the Investment Restriction in line with Rule 21.04(3)(b) of the Listing Rules on the following terms at the time of the Company's initial public offering in 1993:

(i) the Company will not purchase any security or make any investment if, as a result, more than 20% of the Company's net asset value would be invested in any one company or enterprise;

(ii) the Investment Restriction will not require the realisation of any investment of the Company where such Investment Restriction is breached as a result of any event outside the control of the Company occurring after the relevant investment is made, but no further investment may be made until the Investment Restriction can again be complied with; and

(iii) the Investment Restriction may not be amended while the shares of the Company remain listed on the Stock Exchange except with the approval of the Shareholders in general meeting and with the prior written consent of the Stock Exchange.

Steps Taken to Achieve a Balanced Portfolio

The Directors note that each of its holdings in CMB and IBC has exceeded 20% of the Company's net asset value as a result of the rapid appreciation in CMB A Shares and IBC A Shares after their respective listings in Shanghai in 2002 and 2007. The Company fully appreciates the importance of maintaining a "reasonable spread of investments" and it takes the obligation to achieve a balanced portfolio seriously.

Since the expiry of the lock-up periods in early 2008, the Company has been actively disposing of its CMB A Shares and IBC A Shares. In 2008, the Company sold 5,945,000 CMB A Shares and 19,200,000 IBC A Shares in open market. In 2009, as at the Latest Practicable Date, the Company had disposed of 33,000,000 CMB A Shares and 31,900,000 IBC A Shares in open market under the 2008 Disposal Mandates. The Company proposes to seek the approval of the Shareholders to grant fresh mandates to the Board to dispose of the CMB Interests and IBC Interests at the EGM for another 12 months from the date of the EGM.

As excessive cash component in the Company's portfolio (as a result of the disposals of the CMB A Shares and IBC A Shares held by it) would not achieve a reasonable spread of investments, the Company has taken active steps to identify and make new investments for portfolio adjustment. By illustration, the Company made approximately RMB157 million in 2008 and is expected to make approximately RMB340 million (subject to market conditions and commercial negotiations) in 2009 on new investments.

Circumstances of the Stock Exchange's Waiver

As at the Latest Practicable Date, the CMB A Shares held by the Company account for approximately 43% of the Company's net asset value based on the Company's unaudited consolidated accounts as at 31 October 2009. Since the Proposed Subscription would constitute further investment in CMB, it is therefore subject to Rule 21.04(3)(b) of the Listing Rules and the Investment Restriction.

Conditions of the Waiver

The Company has applied for, and the Stock Exchange has granted, the Waiver on the following Conditions:

(i) the Company will obtain Shareholders' approval for the Proposed Subscription;

(ii) the Company will dispose of a minimum of 8,500,000 CMB A Shares by the ex-rights date of the CMB A Rights Issue;

(iii) within six months from the completion of the CMB A Rights Issue, the Company will further dispose of CMB A Shares to the extent that its CMB Interests will not exceed 20% of the Company's net asset value;

(iv) the Company will identify suitable investment projects and apply the proceeds from the disposal of the CMB A Shares to achieve a reasonable spread of investments;

(v) the Company will hire more investment staff to support its plan for portfolio adjustment;

(vi) the Company will dispose of its IBC Interests to the extent that its IBC Interests will not exceed 20% of the Company's net asset value as soon as possible after late 2010; and

(vii) the Company will publish an announcement on the grant of the Waiver setting out relevant details including the circumstances and conditions imposed as soon as possible.

The Company's view on the Conditions

The Conditions were imposed by the Stock Exchange after taking into account the circumstances of the Proposed Subscription.

While the Board is strongly of the view that the Proposed Subscription is in the best interests of the Shareholders, the regulatory concern for maintaining a reasonable spread of investments under Rule 21.04(3)(b) of the Listing Rules is being considered in the Proposed Subscription by the introduction of the Conditions in the Waiver.

The purpose of Conditions (i) and (vii) is to provide the Shareholders with sufficient information on the Proposed Subscription such that the Shareholders will be able to make a fully informed decision on the approval of the Proposed Subscription. The Subscription Announcement was issued by the Company pursuant to Condition (vii).

The purpose of Condition (ii) is to ensure that the Company will not be required to contribute any new fund for the Proposed Subscription (other than the proceeds from the disposal under Condition (ii)) — such as to minimise the effect of making "new investment" in CMB as restricted under Rule 21.04(3)(b) of the Listing Rules. The disposal of a minimum of 8,500,000 CMB A Shares before the ex-rights date of the CMB A Rights Issue will be covered by the 2008 Disposal Mandates and is not subject to further Shareholders' approval.

The purpose of Conditions (iii) and (vi) is to ensure that the Company will maintain a reasonable spread of investments by disposing of a portion of the CMB Interests and IBC Interests within a reasonable timeframe.

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

(D) Other Implications under the Listing Rules

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

(E) Shareholders' Approval for the Proposed Subscription

As one of the Conditions on which the Stock Exchange granted the Waiver to the Company, the Company is required to obtain the Shareholders' approval to proceed with the Proposed Subscription. An ordinary resolution will be proposed at the EGM for the Shareholders to approve the Proposed Subscription. The Proposed Subscription might be inconsistent with the Investment Restriction that the Company shall not purchase any security or make any investment if, as a result, more than 20% of the net asset value of the Company would be invested in any one company or enterprise. Accordingly, the Company will also seek the Shareholders' approval at the EGM to waive the Investment Restriction in connection with the Proposed Subscription.

Shareholders and investors should note that the CMB Rights Issues will be subject to various conditions and its terms are subject to final determination of CMB. The indicative figures mentioned in this circular are derived from the Assumptions and may be subject to change. Shareholders and investors are recommended to exercise caution in dealing in or exercising their rights in relation to securities in the Company.

3. THE PROPOSED DISPOSALS

The Company obtained the 2008 Disposal Mandates from the Shareholders to dispose of 120,623,078 CMB A Shares and 79,800,000 IBC A Shares held by the Group for a period of 12 months from the passing of the relevant resolutions at the extraordinary general meeting of the Company held on 15 December 2008. Details of the 2008 Disposal Mandates were set out in the announcement of the Company dated 11 November 2008 and the circular of the Company dated 29 November 2008. As at the Latest Practicable Date, 33,000,000 CMB A Shares and 31,900,000 IBC A Shares had been disposed of under the 2008 Disposal Mandates.

As at the Latest Practicable Date, 115,770,002 CMB A Shares and 47,900,000 IBC A Shares were held by the Company. It has been the known policy of the Company to dispose of the CMB Interests and IBC Interests held by the Group in a gradual manner. In view of the imminent expiry of the 2008 Disposal Mandates on 14 December 2009, the Board proposes to seek the approval of the Shareholders to grant fresh mandates to the Board to dispose of the CMB Interests and IBC Interests at the EGM for another 12 months from the date of the EGM.

(A) The Proposed CMB Disposal

The CMB Interests

As at the Latest Practicable Date, the Company beneficially owned a total of 115,770,002 CMB A Shares (inclusive of the 28,146,924 CMB A Shares issued to the Company in July 2009 pursuant to the bonus share issue of CMB, the details of which were set out in the circular of CMB dated 6 May 2009), which are listed and freely tradable on the SSE, representing approximately 0.61% interest in the issued share capital of CMB based on publicly available information.

As disclosed in the section headed "The Proposed Subscription" of this letter, the Company proposes to subscribe for the CMB A Rights Shares that will be allotted to it in nil-paid form pursuant to the CMB A Rights Issue in full subject to the Shareholders' approval. Based on the Assumptions, the Company estimates that approximately 24,659,010 CMB A Rights Shares will be allotted and issued to the Company in nil-paid form pursuant to the CMB A Rights Issue (subject to final determination of CMB).

The Board proposes to seek the approval of the Shareholders to grant a disposal mandate to the Directors to dispose of the CMB Interests during the Mandate Period. The CMB Interests, comprising the 115,770,002 CMB A Shares held by the Company as at the Latest Practicable Date and the 24,659,010 CMB A Rights Shares estimated to be allotted and issued to the Company pursuant to the CMB A Rights Issue, represent the entire interest held by the Group in CMB. Up to the Latest Practicable Date, the Group did not have any discussion with any party to dispose of the CMB Interests. Nevertheless, the Board is of the view that it would be in the best interests of the Shareholders and the Company for the Directors to have flexibility in disposing of the CMB Interests.

Terms of the CMB Disposal Mandate

After the expiry of the 2008 Disposal Mandates, if the Group proceeds with the Proposed CMB Disposal and on the assumption that all CMB A Shares held by the Group are to be disposed of, the Proposed CMB Disposal may constitute a very substantial disposal of the Company under Chapter 14 of the Listing Rules and require compliance with the announcement, circular and shareholders' approval requirements under the Listing Rules. The Company proposes to seek the CMB Disposal Mandate for the Proposed CMB Disposal at the EGM on the following terms:

1. the Group will dispose of the CMB Interests in the open market through the trading system of the SSE;

2. the selling price of the CMB A Shares will be the market price of the CMB A Shares at the relevant times, where market price refers to the price allowed under the trading system of the SSE, but will not be less than RMB5.00 (equivalent to approximately HK$5.67) per CMB A Share; and

3. the disposal mandate is for a 12-month period from the passing of the relevant resolution(s) at the EGM.

The minimum selling price of RMB5.00 was determined on the basis of the 2008 audited net asset value per share of CMB and the valuation of the CMB A Shares with reference to the price-to-book ratio of PRC and international banks listed either in Hong Kong or the United States of America. Based on such valuation, the Directors consider that the minimum selling price will allow flexibility for the Directors to accommodate fluctuation in market conditions in the exercise of the CMB Disposal Mandate and at the same time reflect the lowest acceptable price to dispose of the CMB Interests, and is thus fair and reasonable as far as the Company and the Shareholders are concerned.

The Proposed CMB Disposal will comply with all relevant laws and regulations, including any applicable trading regulations governing the Proposed CMB Disposal in the PRC.

Under the CMB Disposal Mandate proposed to be granted to the Directors, the Group may dispose of the CMB Interests on the SSE through its trading system. The Group will delegate all necessary power to the Investment Manager to handle all matters relating to the Proposed CMB 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 will require the Investment Manager to report and clear with the board committee after the sales of every 6,000,000 CMB A Shares. All elaborations, discussions and decisions in relation to the timing, price and amount of the Proposed CMB Disposal will be kept confidential. The Company will publish an announcement every month to disclose the number of CMB A Shares disposed of pursuant to the CMB Disposal Mandate on aggregate basis and the net proceeds arising therefrom.

Information About CMB

According to the 2008 annual report of CMB and publicly available information, CMB has over 700 branches and offices throughout the PRC. Its A shares were first listed on the SSE in 2002 and its H shares were listed on the Stock Exchange in 2006. As of 31 December 2008, CMB had a registered capital of RMB14,707 million, which was increased to RMB19,119 million after the bonus share issue in July 2009 (the details of which were set out in the circular of CMB dated 6 May 2009). The main business activities of CMB include: taking deposits from the public; granting short, medium and long-term loans; handling settlements; handling bills discounting; issuing financial bonds; acting as agent for the issue and encashment of, underwriting and trading government bonds; engaging in inter-bank lendings and borrowings; providing letters of credit and guarantees services; providing agency collections and payments services; selling bank assurances; providing safe deposit box services; taking foreign currency deposits; granting foreign currency loans; providing remittances services; providing foreign exchange services; providing international settlements services; engaging in foreign currency placements; providing foreign currency bills acceptances and discounting services; trading and trading as agent foreign currency securities except stocks; issuing and issuing as agent foreign currency securities except stocks; engaging in proprietary trading and trading on behalf of customers in FX; providing credit investigations, advisory and attestation services; engaging in offshore banking business; engaging in credit card business; providing custodial services for securities investment funds, Qualified Foreign Institutional Investors (QFII), corporate annuity funds (including account management services) and social security funds; underwriting commercial papers; trading derivative products; and other businesses approved by the CBRC.

The following sets out a summary of financial information of CMB for the two years ended 31 December 2008 which were prepared under the PRC accounting standards:

	For the year ended 31 December			
	2008		**2007**	
	(RMB million) (audited)	*HK$ million equivalent*	*(RMB million) (audited)*	*HK$ million equivalent*
Profit before taxation	26,759	30,342	21,043	23,861
Profit after taxation	20,946	23,751	15,243	17,284
Net asset value	79,515	90,162	67,984	77,087

As at 31 December 2008, the audited consolidated net asset value of CMB amounted to approximately RMB79,515 million (equivalent to approximately HK$90,162 million). The Group held a 0.79% and 0.83% interest of CMB at the financial year end of 2008 and 2007 respectively. The audited net asset value attributable to the CMB A Shares held by the Group was approximately RMB628 million (equivalent to approximately HK$712 million) as at 31 December 2008. Dividend income received by the Group from CMB amounted to approximately US$4.93 million (equivalent to approximately HK$38.21 million) in 2008 and approximately US$1.93 million (equivalent to approximately HK$14.96 million) in 2007. The change in fair value on CMB attributable to the Group amounted to loss of approximately US$403.22 million (equivalent to approximately HK$3,125 million) in 2008 and gain of approximately US$413.36 million (equivalent to approximately HK$3,203.58 million) in 2007 respectively.

Based on the carrying amount of the CMB Interests (excluding the 24,659,010 CMB A Rights Shares estimated to be allotted and issued to the Company pursuant to the CMB A Rights Issue) held by the Company as at 31 December 2008 which was US$158.31 million (equivalent to approximately HK$1,226.92 million) and the minimum price of RMB5.00 (equivalent to approximately HK$5.67), the expected realized accounting loss on the disposal of the CMB Interests is US$73.80 million (equivalent to approximately HK$571.96 million).

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 CMB Disposal.

The highest and lowest closing price of CMB A Shares as quoted on the SSE in the 12 months immediately before the Latest Practicable Date was RMB19.69 and RMB8.98 (equivalent to approximately HK$22.33 and HK$10.18) respectively.

(B) The Proposed IBC Disposal

The IBC Interests

As at the Latest Practicable Date, the Company beneficially owned a total of 47,900,000 IBC A Shares, which are listed and freely tradable on the SSE, representing approximately 0.96% interest in the issued share capital of IBC based on publicly available information.

The Board proposes to seek the approval of the Shareholders to grant a disposal mandate to the Directors to dispose of the IBC Interests during the Mandate Period. The IBC Interests, comprising the 47,900,000 IBC A Shares held by the Company as at the Latest Practicable Date, represent the entire interest held by the Group in IBC. Up to the Latest Practicable Date, the Group did not have any discussion with any party to dispose of the IBC Interests.

As disclosed in the Subscription Announcement and Disposal Announcement, the Company will prioritize its efforts to satisfy the Condition (iii) as referred to in the section headed "The Proposed Subscription" in this letter (the portfolio adjustment of the CMB Interests) and will consider an appropriate timing to satisfy Condition (vi) (the portfolio adjustment of the IBC Interests) with reference to general market conditions, progress of making new investments and performance of CMB A Shares, IBC A Shares and other investments of the Company. While prioritizing its efforts in disposing of the CMB Interests, the Company will also keep a keen eye on the performance of the IBC A Shares throughout the Mandate Period and dispose of the IBC Interests should the Directors consider it a right timing for doing so. Given the volatility of the present-day stock market, disposing shares at the best possible price requires prompt disposal actions at the right timing. The Directors would therefore like to have the flexibility in disposing of the IBC Interests in order to capture market opportunities and dispose of the IBC A Shares at the best possible price.

On 23 November 2009, IBC announced that it would seek the approval from its shareholders for the IBC A Rights Issue. Details of the IBC A Rights Issue are set out in the IBC Announcement. According to the IBC Announcement, the IBC A Rights Issue will be conducted on the basis of: (i) up to 2.5 IBC A Rights Shares for every 10 existing IBC A Shares; and (ii) the gross proceeds of the IBC A Rights Issue will be not more than RMB18 billion.

The Company will consider whether it will subscribe for its IBC A Rights Shares under the IBC A Rights Issue in full or in part when further details of the IBC A Rights Issue are announced by IBC. The Company notes that such subscription will be subject to Rule 21.04(3)(b) of the Listing Rules and the Investment Restriction. Should the Company decide to participate in the IBC A Rights Issue and IBC Interests account for more than 20% of the Company's net asset value at the relevant time, the Company would require the Stock Exchange's waiver (in relation to Rule 21.04(3)(b) of the Listing Rules) and the Shareholders' approval of such subscription. Further announcement will be made by the Company in relation to the IBC A Rights Issue as and when appropriate.

Shareholders and investors should note that the IBC A Rights Issue will be subject to various conditions and its terms are subject to final determination of IBC. There is no guarantee that the above-mentioned Stock Exchange's waiver and/or Shareholders' approval (if required) can be obtained. Shareholders and investors are recommended to exercise caution in dealing in or exercising their rights in relation to securities in the Company.

Terms of the IBC Disposal Mandate

After the expiry of the 2008 Disposal Mandates, if the Group proceeds with the Proposed IBC Disposal and on the assumption that all IBC A Shares held by the Group are to be disposed of, the Proposed IBC Disposal may constitute a very substantial disposal of the Company under Chapter 14 of the Listing Rules and require compliance with the announcement, circular and shareholders' approval requirements under the Listing Rules. The Company proposes to seek the IBC Disposal Mandate for the Proposed IBC Disposal at the EGM on the following terms:

1. the Group will dispose of the IBC Interests in the open market through the trading system of the SSE;

2. the selling price of the IBC A Shares will be the market price of the IBC A Shares at the relevant times, where market price refers to the price allowed under the trading system of the SSE, but will not be less than RMB12.00 (equivalent to approximately HK$13.61) per IBC A Share; and

3. the disposal mandate is for a 12-month period from the passing of the relevant resolution(s) at the EGM.

The minimum selling price of RMB12.00 was determined on the basis of the 2008 audited net asset value per share of IBC and the valuation of the IBC A Shares with reference to the price-to-book ratio of PRC and international banks listed either in Hong Kong or the United States of America. Based on such valuation, the Directors consider that the minimum selling price will allow flexibility for the Directors to accommodate fluctuation in market conditions in the exercise of the IBC Disposal Mandate and at the same time reflect the lowest acceptable price to dispose of the IBC Interests, and is thus fair and reasonable as far as the Company and the Shareholders are concerned.

The Proposed IBC Disposal will comply with all relevant laws and regulations, including any applicable trading regulations governing the Proposed IBC Disposal in the PRC.

Under the IBC Disposal Mandate proposed to be granted to the Directors, the Group may dispose of the IBC Interests on the SSE through its trading system. The Group will delegate all necessary power to the Investment Manager to handle all matters relating to the Proposed IBC 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 will require the Investment Manager to report and clear with the board committee after the sales of every 4,000,000 IBC A Shares. All elaborations, discussions and decisions in relation to the timing, price and amount of the Proposed IBC Disposal will be kept confidential. The Company will publish an announcement every month to disclose the number of IBC A Shares disposed of pursuant to the IBC Disposal Mandate on aggregate basis and the net proceeds arising therefrom.

Information about IBC

According to the 2008 annual report of IBC and publicly available information, IBC has over 470 branches and offices throughout the PRC. As of 31 December 2008, IBC had a registered capital of RMB5,000 million. The main business activities of IBC include: taking deposits from the public; granting short, medium and long-term loans; handling domestic and international settlements; handling bills acceptances and discounting; issuing financial bonds; acting as agent for the issue and encashment of and underwriting government bonds; trading government bonds and financial bonds; handling the trading of derivative products (except for stocks and commodities related derivative products) issued by financial institutions; providing custodial services for securities investment funds and social security funds; engaging in inter-bank lendings and borrowings; trading foreign currencies, either on its own behalf or on behalf of clients; providing foreign exchange services; engaging in credit card business; providing letters of credit and guarantees services; providing agency collections and payments services; providing safe deposit box services; and other businesses approved by the CBRC.

The following sets out a summary of financial information of IBC for the two years ended 31 December 2008 which were prepared under the PRC accounting standards:

	For the year ended 31 December			
	2008		**2007**	
	(RMB million) (audited)	*HK$ million equivalent*	*(RMB million) (audited)*	*HK$ million equivalent*
Profit before taxation	14,037	15,917	10,910	12,371
Profit after taxation	11,385	12,909	8,586	9,736
Net asset value	49,022	55,586	38,897	44,105

As at 31 December 2008, the audited consolidated net asset value of IBC amounted to approximately RMB49,022 million (equivalent to approximately HK$55,586 million). The Group held a 1.30% and 1.68% interest of IBC at the financial year end of 2008 and 2007 respectively. The audited net asset value attributable to the IBC A Shares held by the Group was approximately RMB637 million (equivalent to approximately HK$722 million) as at 31 December 2008. Dividend income received by the Group from IBC amounted to approximately US$3.81 million (equivalent to approximately

HK$29.53 million) in 2008 and US$2.87 million (equivalent to approximately HK$22.24 million) in 2007. The change in fair value on IBC attributable to the Group amounted to loss of approximately US$317.85 million (equivalent to approximately HK$2,463.37 million) in 2008 and gain of approximately US$494.16 million (equivalent to approximately HK$3,829.79 million) in 2007 respectively.

Based on the carrying amount of the IBC Interests as at 31 December 2008 which was US$102.32 million (equivalent to approximately HK$792.99 million) and the minimum price of RMB12.00 (equivalent to approximately HK$13.61), the expected realized accounting loss on the disposal of the IBC Interests is US$18.02 million (equivalent to approximately HK$139.66 million).

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 IBC Disposal.

The highest and lowest closing price of IBC A Shares as quoted on the SSE in the 12 months immediately before the Latest Practicable Date was RMB42.97 and RMB13.48 (equivalent to approximately HK$48.72 and HK$15.28) respectively.

(C) Reasons for and Benefits of the Proposed Disposals

As stated in the 2009 interim report of the Group, the Group continuously makes every effort to identify new potential investment projects, with an emphasis on investment opportunities in sectors of financial services, culture and media, consumer goods, pharmaceuticals, energy and environmental protection. The Company also carefully evaluates the right timing for realizing its assets with a view to maximize returns for the Shareholders.

If the Proposed Disposals are carried out, the Company will apply the proceeds from the Proposed Disposals for possible investments in the future and working capital of the Group. The proceeds from the Proposed Disposals will put the Group in a better and more flexible financial position to take advantage of current and future investment opportunities should they arise. As at the Latest Practicable Date, the Company is carefully considering certain investment opportunities but no definitive investment plan has yet been drawn up.

The Directors (including independent non-executive Directors) consider that the Proposed Disposals represent a good opportunity to increase the cash flow of the Company. The Directors consider that the Proposed Disposals will be conducted in the best interests of the Company and the Shareholders as a whole and the CMB Disposal Mandate and IBC Disposal Mandate will give flexibility to the Directors to dispose of the CMB Interests and IBC Interests at the appropriate times and prices in order to maximize returns to the Group.

The Directors (including independent non-executive Directors) are of the view that the CMB Disposal Mandate and IBC Disposal Mandate under the Proposed Disposals are fair and reasonable and in the interests of the Shareholders as a whole, after considering the business fundamentals of CMB and IBC, prevailing market sentiments and conditions, and the financial needs of the Group.

(D) Financial Effects of the Proposed Disposals

As described in the section headed "The Proposed Disposals" in this letter, the expected realized accounting loss on the disposal of the CMB Interests and IBC Interests are approximately US$73.80 million (equivalent to approximately HK$571.96 million) and approximately US$18.02 million (equivalent to approximately HK$139.66 million) respectively.

Based on the unaudited pro forma financial information of the Remaining Group in respect of the Proposed CMB Disposal and Proposed IBC Disposal as set out in Appendix II to this circular, it is believed that the Proposed Disposals would not have any material adverse effects on the total assets and total liabilities of the Group.

The Shareholders should note that the actual amounts of proceeds, accounting gain or loss and effects on the net assets and earnings of the Group depend on the actual selling price of the CMB A Shares and IBC A Shares disposed of by the Group pursuant to the Disposal Mandates.

Apart from making monthly announcements to disclose the number of CMB A Shares and IBC A Shares disposed of pursuant to the Disposal Mandates and the proceeds arising therefrom, the Company will also disclose the same in the interim report and annual report of the Company.

(E) Implications under the Listing Rules

If the Group proceeds with the Proposed CMB Disposal and Proposed IBC Disposal, the aggregate of all the shares to be disposed of under the CMB Disposal Mandate and/or IBC Disposal Mandate may constitute a very substantial disposal of the Company under Chapter 14 of the Listing Rules. The Proposed CMB Disposal and Proposed IBC Disposal will then be subject to the requirements of announcement, circular and the Shareholders' approval under the Listing Rules.

In the event that the Group finds out that the counterparty is a connected person before disposing of the CMB Interests and/or the IBC Interests, the Group will strictly follow the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

4. EXTRAORDINARY GENERAL MEETING

Set out on pages 56 to 58 of this circular is a notice convening the EGM to be held at Lavender Room, 27/F, The Park Lane Hotel Hong Kong, 310 Gloucester Road, Hong Kong on Monday, 14 December 2009 at 2:30 p.m. at which resolutions will be proposed to the Shareholders to consider and, if thought fit, approve the Proposed Subscription and Proposed Disposals, which shall be voted by way of poll.

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

5. ACTION TO BE TAKEN

A form of proxy for use at the EGM is also enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same 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 of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

6. GENERAL INFORMATION

The Company is an investment company, 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 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.

Whether the Company decides to proceed with the Proposed Disposals (or not to proceed) will depend on a number of factors including without limitation prevailing market sentiments and market conditions at the proposed time of executing the Proposed Disposals. The decision will also be subject to compliance by the Company with all applicable requirements under the Listing Rules. While the Company currently intends to proceed with the Proposed Disposals after the applicable requirements under the Listing Rules are complied with, it should be emphasized that save for the disposal of CMB A Shares within the time frame as required under the Conditions, there is no assurance the Company will necessarily proceed with any part of the Proposed Disposals. The Shareholders and other public investors of the Company are therefore advised to exercise extreme caution when dealing in the Shares.

The Proposed CMB Disposal and Proposed IBC Disposal are independent of each other and not inter-conditional.

7. RECOMMENDATION

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

Your attention is also drawn to the additional information set out in the appendices to this circular.

By Order of the Board
ZHOU Linda Lei
Director

UNAUDITED FINANCIAL INFORMATION ON THE CMB INTERESTS

The following unaudited financial information of the CMB Interests (excluding the 24,659,010 CMB A Rights Shares estimated to be allotted and issued to the Company pursuant to the CMB A Rights Issue) 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 2006, 2007, 2008 and the six months ended 30 June 2009.

	Year ended 31 December			Six months ended 30 June
	2006	**2007**	**2008**	**2009**
	US$	*US$*	*US$*	*US$*
Gains/ (loss) recognised in the income statements in relation to the CMB Interests:				
Dividend income	2,905,655	1,405,374	3,768,232	—
Gains/(loss) arising from change in the fair value of the CMB Interests	84,290,615	300,333,328	(307,897,484)	133,834,235
Deferred taxation	(12,643,592)	(89,258,273)	76,974,298	(33,458,927)
Carrying amount recognised in the balance sheets in relation to the CMB Interests	131,835,321	441,266,778	158,312,740	292,244,802

UNAUDITED FINANCIAL INFORMATION ON THE IBC INTERESTS

The following unaudited financial information of the IBC Interests 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 2006, 2007, 2008 and the six months ended 30 June 2009.

	Year ended 31 December			Six months ended 30 June
	2006	**2007**	**2008**	**2009**
	US$	*US$*	*US$*	*US$*
Gains/ (loss) recognised in the income statements in relation to the IBC Interests:				
Dividend income	—	1,634,555	2,819,676	3,306,845
Gains/(loss) arising from change in the fair value of the IBC Interests	17,826,893	281,789,392	(234,950,723)	158,271,800
Deferred taxation	(2,674,034)	(51,764,104)	40,517,676	(44,079,665)
Carrying amount recognised in the balance sheets in relation to the IBC Interests	35,210,215	319,429,510	102,323,471	260,677,410

For the accounting policies in relation to the CMB Interests (excluding the 24,659,010 CMB A Rights Shares estimated to be allotted and issued to the Company pursuant to the CMB A Rights Issue) and the IBC Interests, please refer to "Notes to the Accounts" in the annual reports of the Group for the financial years 2006, 2007 and 2008 and in the interim report of the Group for the six months ended 30 June 2009.

In accordance with paragraph 14.68(2)(b)(i) of the Listing Rules, the Directors have engaged Deloitte Touche Tohmatsu, the auditor 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 auditor has agreed the unaudited financial information of the CMB Interests (excluding the 24,659,010 CMB A Rights Shares estimated to be allotted and issued to the Company pursuant to the CMB A Rights Issue) and the IBC Interests to the records provided by the management of the Group and reported the factual findings to the Directors. Since the said agreed-upon procedures were agreed between the Directors and the auditor, they should not be used or relied on by any other parties for any purpose. In the opinion of the Directors, such information has been properly complied.

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 statement as at 30 June 2009 and an unaudited pro forma consolidated statement of comprehensive income for the six months ended 30 June 2009 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 Disposals on the consolidated net assets of the Group as at 30 June 2009 as if the Proposed Disposals had taken place on 30 June 2009 and the consolidated statement of comprehensive income of the Group for the six months ended 30 June 2009 as if the Proposed Disposals had taken place on 1 January 2009.

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 2009, after making pro forma adjustments relating to the Proposed Disposals that are directly attributable to the Proposed Disposals 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 Disposals actually occurred. In addition, the Pro Forma Financial Information does not purpose to predict the Group's future financial position or results following completion of the Proposed Disposals.

Unaudited Pro Forma Consolidated Net Assets Statement of the Remaining Group in respect of the Proposed CMB Disposal

	The Group as at 30 June 2009	Pro forma adjustments	Pro forma the Remaining Group
	Note (i)	*Note (ii)*	
	US$	*US$*	*US$*
Non-current assets			
Interest in associates	15,722,780		15,722,780
Financial assets at fair value through profit or loss	66,353,182		66,353,182
Other investments in financial assets	694,117		694,117
	82,770,079		82,770,079
Current assets			
Financial assets at fair value through profit or loss	577,824,823	(292,242,195)	285,582,628
Other receivables	633,240		633,240
Cash and bank balances	175,886,604	292,242,195	468,128,799
	754,344,667		754,344,667
Current liabilities			
Other payables	107,611,901		107,611,901
Provision	30,095,868		30,095,868
Taxation payable	9,820,416	55,946,872	65,767,288
	147,528,185		203,475,057
Net current assets	606,816,482		550,869,610
Total assets less current liabilities	689,586,561		633,639,689
Non-current liabilities			
Financial liabilities	129,031		129,031
Deferred taxation	140,103,163	(69,934,683)	70,168,480
	140,232,194		70,297,511
NET ASSETS	549,354,367		563,342,178

	The Group as at 30 June 2009	**Pro forma adjustments**	**Pro forma the Remaining Group**
	Note (i)	*Note (ii)*	
	US$	*US$*	*US$*
CAPITAL AND RESERVES			
Share capital	14,914,560		14,914,560
Reserves	534,439,807	13,987,811	548,427,618
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	549,354,367		563,342,178
NET ASSET VALUE PER SHARE	3.683		3.777

Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Remaining Group in respect of the Proposed CMB Disposal

	The Group for the six months ended 30 June 2009	**Pro forma adjustments**	**Pro forma the Remaining Group**
	Note (iii)	*Note (iv)*	
	US$	*US$*	*US$*
Change in fair value of financial assets at fair value through profit or loss	346,240,362	(133,834,235)	212,406,127
Investment income	6,289,189		6,289,189
Other income	142,015		142,015
Administrative expenses	(36,338,102)		(36,338,102)
Share of results of associates	(361,270)		(361,270)
Profit before taxation	315,972,194		182,137,959
Taxation	(89,541,659)	40,749,172	(48,792,487)
Profit attributable to owners of the Company	226,430,535		133,345,472
Basic and diluted earnings per share	1.518		0.894

Notes to the Pro Forma Financial Information of the Remaining Group in respect of the Proposed CMB Disposal:

(i) The amounts are based on the unaudited consolidated statement of financial position of the Group as at 30 June 2009, which is extracted from the interim report of the Group for the six months ended 30 June 2009.

(ii) The adjustments represent the disposal of the CMB Interests (excluding the 24,659,010 CMB A Rights Shares estimated to be allotted and issued to the Company pursuant to the CMB A Rights Issue) in cash. The CMB Interests (excluding the 24,659,010 CMB A Rights Shares estimated to be allotted and issued to the Company pursuant to the CMB A Rights Issue) were assumed to be sold at a total consideration of US$292,242,195 (representing the fair value (the quoted market closing bid price) of the CMB Interests as at 30 June 2009 (excluding the 24,659,010 CMB A Rights Shares estimated to be allotted and issued to the Company pursuant to the CMB A Rights Issue)). The previously recognized non-current deferred tax liability of US$69,934,683, which was calculated based on the fair value of the CMB Interests (excluding the 24,659,010 CMB A Rights Shares estimated to be allotted and issued to the Company pursuant to the CMB A Rights Issue) at the Enterprise Income Tax rate of 25%, was reversed to the consolidated statement of comprehensive income and a current tax liability of US$55,946,872 was provided in the consolidated statement of comprehensive income based on the estimated realized taxable gain on the disposal of the CMB Interests (excluding the 24,659,010 CMB A Rights Shares estimated to be allotted and issued to the Company pursuant to the CMB A Rights Issue) at the Enterprise Income Tax rate of 20%. The difference between the previously recognized non-current deferred tax liability and current tax liability was recognized in statement of comprehensive income.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Tax Law") by Order No. 63 of the President of the PRC. The State Council of the PRC issued Implementation Regulations of the New 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, which is 20% in 2009, will be gradually increased to 25% in 2012. 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 statement of comprehensive income of the Group for the six months ended 30 June 2009, which is extracted from the interim report of the Group for the six months ended 30 June 2009.

(iv) The adjustments represent:

(a) the exclusion of gain on fair value changes on investment in the CMB Interests (excluding the 24,659,010 CMB A Rights Shares estimated to be allotted and issued to the Company pursuant to the CMB A Rights Issue) of US$133,834,235 assuming the CMB Interests (excluding the 24,659,010 CMB A Rights Shares estimated to be allotted and issued to the Company pursuant to the CMB A Rights Issue) were disposed of on 1 January 2009 at a total consideration of US$158,312,740 (representing the fair value (the quoted market closing bid price) of the CMB Interests as of 31 December 2008 (excluding the 24,659,010 CMB A Rights Shares estimated to be allotted and issued to the Company pursuant to the CMB A Rights Issue)); and

(b) the reversal of (i) deferred tax at the amount of US$33,458,927 for the six months ended 30 June 2009 in relation to the CMB Interests (excluding the 24,659,010 CMB A Rights Shares estimated to be allotted and issued to the Company pursuant to the CMB A Rights Issue); and (ii) difference of US$7,290,245 between the previously recognized non-current deferred tax liability as at 1 January 2009 at the Enterprise Income Tax of 25% and current tax liability at the Enterprise Income tax rate of 20%, as if the Proposed CMB Disposal were completed on 1 January 2009.

(v) Since the actual amounts of consideration to be received from the Proposed CMB 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 CMB Disposal may be different from those amounts shown in the unaudited Pro Forma Financial Information.

(vi) The pro forma adjustments mentioned above will not have any continuing effect on the Remaining Group.

Unaudited Pro Forma Consolidated Net Assets Statement of the Remaining Group in respect of the Proposed IBC Disposal

	The Group as at 30 June 2009	Pro forma adjustments	Pro forma the Remaining Group
	Note (i)	*Note (ii)*	
	US$	*US$*	*US$*
Non-current assets			
Interest in associates	15,722,780		15,722,780
Financial assets at fair value through profit or loss	66,353,182		66,353,182
Other investments in financial assets	694,117		694,117
	82,770,079		82,770,079
Current assets			
Financial assets at fair value through profit or loss	577,824,823	(260,677,410)	317,147,413
Other receivables	633,240		633,240
Cash and bank balances	175,886,604	260,677,410	436,564,014
	754,344,667		754,344,667
Current liabilities			
Other payables	107,611,901		107,611,901
Provision	30,095,868		30,095,868
Taxation payable	9,820,416	49,701,585	59,522,001
	147,528,185		197,229,770
Net current assets	606,816,482		557,114,897
Total assets less current liabilities	689,586,561		639,884,976
Non-current liabilities			
Financial liabilities	129,031		129,031
Deferred taxation	140,103,163	(62,131,555)	77,971,608
	140,232,194		78,100,639
NET ASSETS	549,354,367		561,784,337

	The Group as at 30 June 2009	Pro forma adjustments	Pro forma the Remaining Group
	Note (i)	*Note (ii)*	
	US$	*US$*	*US$*
CAPITAL AND RESERVES			
Share capital	14,914,560		14,914,560
Reserves	534,439,807	12,429,970	546,869,777
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	549,354,367		561,784,337
NET ASSET VALUE PER SHARE	3.683		3.767

Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Remaining Group in respect of the Proposed IBC Disposal

	The Group for the six months ended 30 June 2009	Pro forma adjustments	Pro forma the Remaining Group
	Note (iii)	*Note (iv)*	
	US$	*US$*	*US$*
Change in fair value of financial assets at fair value through profit or loss	346,240,362	(158,271,800)	187,968,562
Investment income	6,289,189	(3,306,845)	2,982,344
Other income	142,015		142,015
Administrative expenses	(36,338,102)		(36,338,102)
Share of results of associates	(361,270)		(361,270)
Profit before taxation	315,972,194		154,393,549
Taxation	(89,541,659)	44,079,665	(45,461,994)
Profit attributable to the owners of the Company	226,430,535		108,931,555
Basic and diluted earnings per share	1.518		0.730

Notes to the Pro Forma Financial Information of the Remaining Group in respect of the Proposed IBC Disposal:

(i) The amounts are based on the unaudited consolidated statement of financial position of the Group as at 30 June 2009, which is extracted from the interim report of the Group for the six months ended 30 June 2009.

(ii) The adjustments represent the disposal of the IBC Interests in cash. The IBC Interests were assumed to be sold at a total consideration of US$260,677,410 (representing the fair value (the quoted market closing bid price) of the IBC Interests as of 30 June 2009). The previously recognised non-current deferred tax liability of US$62,131,555, which was calculated based on the fair value of the IBC Interests at the Enterprise Income Tax rate of 25%, was reversed to the consolidated statement of comprehensive income and a current tax liability of US$49,701,585 was provided in the consolidated statement of comprehensive income based on the estimated realized taxable gain of the disposal of the IBC Interests at the Enterprise Income Tax rate of 20%. The difference between the previously recognized non-current deferred tax liability and current tax liability was recognized in statement of comprehensive income.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Tax Law") by Order No. 63 of the President of the PRC. The State Council of the PRC issued Implementation Regulations of the New 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, which is 20% in 2009, will be gradually increased to 25% in 2012. 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 statement of comprehensive income of the Group for the six months ended 30 June 2009, which is extracted from the interim report of the Group for the six months ended 30 June 2009.

(iv) The adjustments represent:

(a) the exclusion of gain on fair value changes on investment in the IBC Interests of US$158,271,800 assuming the IBC Interests were disposed of on 1 January 2009 at a total consideration of US$102,323,471 (representing the fair value (the quoted market closing bid price) of the IBC Interests as of 31 December 2008); and

(b) the reversal of dividend income and deferred tax at the amount of US$3,306,845 and US$44,079,665 respectively, for the six months ended 30 June 2009 in relation to the IBC Interests as if the Proposed IBC Disposal were completed on 1 January 2009.

(v) Since the actual amounts of consideration to be received from the Proposed IBC 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 IBC Disposal may be different from those amounts shown in the unaudited Pro Forma Financial Information.

(vi) The pro forma adjustments mentioned above will not have any continuing effect on the Remaining Group.

Set out below are the Letters 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.
德勤

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 China Merchants Bank Co., Ltd. might have affected the financial information presented, for inclusion in Appendix II of the circular dated 27 November 2009 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on page 23 of 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 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 2009 or any future date; or
- the results of the Group for the six months ended 30 June 2009 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
27 November 2009

Deloitte.
德勤

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 27 November 2009 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on page 23 of 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 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 2009 or any future date; or
- the results of the Group for the six months ended 30 June 2009 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
27 November 2009

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 six months ended 30 June 2009.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL COMMITMENTS

The Remaining Group's cash on hand increased by 73%, from US$101.99 million at the end of 2008 to US$175.89 million as of 30 June 2009, mainly due to the persistent sale of the Remaining Group's interests in CMB and IBC.

As of 30 June 2009, the Remaining Group had no outstanding bank loans.

As of 30 June 2009, the Remaining Group had a capital commitment of approximately US$30.74 million, being an investment in Guangzhou Digital Media Group Ltd. which was approved and not provided in the financial statements.

CAPITAL STRUCTURE OF THE REMAINING GROUP

The capital structure of the Remaining Group is equity attributable to the shareholders of the Company, comprising issued capital, reserves and retained profits as disclosed in the statement of changes in equity in the 2008 annual report of the Company. The capital structure of the Remaining Group remained unchanged throughout the six months ended 30 June 2009.

The treasury policy of the Remaining Group is to fund its operations by internal resources. As at 30 June 2009, (i) the Remaining Group had not incurred any borrowings to fund its operations, (ii) the Remaining Group held cash in HK$, RMB and US$, (iii) the Remaining Group had not used any financial instruments for hedging purposes and (iv) none of the net investments in foreign currency (in RMB and US$) are hedged by currency borrowings or other hedging instruments.

FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

In response to the deterioration of the global financial crisis and its negative effect on the economy of China, the Central Government has decisively implemented an active fiscal policy and an easing monetary policy since the end of 2008. It has also considered and launched a series of specific policies and measures to reduce the over-dependence of China's economy on external demand, to expand domestic demand in order to maintain stable economic growth and to prevent a rapid economic downturn. According to the National Bureau of Statistics of China, China's economy grew 6.1% in the first quarter of 2009, which was 4.5% below the same period of last year. The economy revived in the second quarter, both the breadth and speed of recovery increased, and China's gross domestic product (GDP) grew at 7.1%. For the first half of 2009, the general level of China's consumer price index (CPI) declined 1.1% and producer price index (PPI) declined 7.8% year-over-year. As an easing monetary environment increases the risk of future inflation, price increases may return in the second half of 2009. Nevertheless, China is likely to maintain a relaxed monetary policy in the near term, and at least until the Central Economic Work Conference to be held at the end of the year, at which time any policy adjustments will be communicated. Even so, tightening measures other than an interest rate hike would be adopted first. It is expected that loans would not be compressed significantly since many long term infrastructure projects have just commenced their construction stage and loans for such projects could not be suspended abruptly. It is anticipated that GDP growth will be above 8% and 9% in the third and fourth quarter, respectively, and at around 8% for the year as a whole. A reduction in exports, a shrinkage in markets and a tighter credit supply may lead to a decrease in profits recorded by enterprises, which may restrain returns for some of the Remaining Group's investments. However, tighter credit and the cooling off of capital markets will also bring new opportunities to the Remaining Group for making direct investments. The Remaining Group will continuously make every effort to identify new potential investment projects, with an emphasis still on investment opportunities in sectors of financial services, culture and media, consumer goods, pharmaceuticals, energy and environmental protection. The Remaining Group will also carefully evaluate the right time to switch its assets in order to increase returns for shareholders.

SIGNIFICANT INVESTMENTS OF THE REMAINING GROUP

The Remaining Group continuously investigates new investment opportunities, and intensive due diligence was completed on projects in financial services, culture and media, energy, environmental protection, pharmaceuticals, manufacturing, hi-tech and consumer related industries.

Inbank Media (China) Co., Ltd.

On 1 June 2009, the Remaining Group entered into an agreement with Inbank Media (China) Co., Ltd. ("Inbank Media") and agreed to invest US$4.39 million to acquire an equity interest of 9.09% in the enlarged capital of Inbank Media. In the same transaction, Inbank Media also agreed to issue a convertible bond to the Remaining Group in the amount of US$2.20 million. The convertible bond bears interest at a rate of 6.7% per annum and will mature on the day falling on the third anniversary of the date of payment of the principal amount into the bank account of Inbank Media. The transaction was completed on 12 June 2009.

The Company understands that Inbank Media is preparing for a second round of capital injection and is planning to apply for the listing of its securities on the National Association of Securities and Dealers Automated Quotation (NASDAQ) of the United States. Inbank Media has appointed a sponsor for such purpose.

Wuhan Rixin Technology Co., Ltd.

On 14 July 2009, the Remaining Group entered into an agreement with, among others, 武漢日新科技有限公司 (Wuhan Rixin Technology Co., Ltd., "Wuhan Rixin") and another investor, pursuant to which the Remaining Group agreed to make a cash injection of RMB15 million (equivalent to approximately US$2.20 million) into the capital of Wuhan Rixin in return for approximately 5% equity interest of Wuhan Rixin. The transaction was completed on 14 July 2009.

In September 2009, Wuhan Rixin started the preparation for its plan to make an application to list its securities on 深圳證券交易所創業版 (ChiNext of the Shenzhen Stock Exchange) and had set up a working group to handle such matters and had appointed a sponsor for such purpose. On 1 November 2009, Wuhan Rixin convened a shareholders meeting in respect of its conversion into a company limited by shares.

Guangzhou Digital Media Group Ltd.

On 30 April 2009, the Remaining Group entered into an agreement with 廣州珠江數碼集團有限公司 (Guangzhou Digital Media Group Ltd., "Guangzhou Digital"), pursuant to which the Remaining Group agreed to make a cash injection of RMB210 million (equivalent to approximately US$30.74 million) into the capital of Guangzhou Digital in return for approximately 21% equity interest in Guangzhou Digital. The transaction was completed on 26 August 2009.

The Company understands that Guangzhou Digital is preparing for a second round of capital injection and is planning to apply for the listing of its securities on 深圳證券交易所中小企業版 (Small and Medium-Sized Enterprise Board of the Shenzhen Stock Exchange). Guangzhou Digital has appointed a sponsor for such purpose.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

The Remaining Group had not undertaken any material acquisition or disposal of subsidiaries or associated companies in the course of the current financial year from 1 January 2009 up to the Latest Practicable Date.

SEGMENT INFORMATION

Below is the review of direct investments of the Remaining Group:

Name of projects	Location	Business nature	Net book value	Percentage of total assets
			(US$ million)	*%*
Financial Services:				
1. China Merchants Bank Co., Ltd.	Shenzhen, Guangdong	Banking	308	36.78
2. Industrial Bank Co., Ltd.	Fuzhou, Fujian	Banking	270	32.25
3. China Credit Trust Co., Ltd.	Beijing	Trust management	32	3.88
4. Industrial Securities Co., Ltd.	Fuzhou, Fujian	Securities	3	0.35
5. Morgan Stanley Huaxin Fund Management Co., Ltd.	Shenzhen, Guangdong	Fund management	1	0.15
		Sub-total:	614	73.41
Culture and Media:				
6. NBA China, L.P.	Beijing	Sports marketing	23	2.75
7. Inbank Media (China) Co., Ltd. *(Note 1)*	Beijing	Media	7	0.79
		Sub-total:	30	3.54
Manufacturing:				
8. Shandong Jinbao Electronics Co., Ltd.	Zhaoyuan, Shandong	Copper foil & laminates	15	1.74
		Sub-total:	15	1.74

Name of projects	Location	Business nature	Net book value (US$ million)	Percentage of total assets %
Real Estate:				
9. Langfang Oriental Education Facilities Development Co., Ltd.	Langfang, Hebei	Student dormitory	1	0.14
10. Shenzhen Mankam Square	Shenzhen, Guangdong	Retail shops	-	-
11. China Merchants Plaza (Shanghai) Property Co., Ltd.	Shanghai	Office & commercial	-	-
		Sub-total:	1	0.14
Other:				
12. Shenzhen Jutian Investment Co., Ltd.	Shenzhen, Guangdong	Investment	-	-
		Sub-total:	-	-
		Total:	660	78.83

Note 1: Investment in Inbank Media included US$4.39 million in equity interest and US$2.20 million in convertible bond issued by Inbank Media.

China Merchants Bank Co., Ltd. (“**CMB**”) is the first joint-stock commercial bank established in the PRC, and its shares have been listed on the Shanghai Stock Exchange since 2002. CMB now has over 700 branches and offices across the country. It also owns 100% of Wing Lung Bank in Hong Kong and has established a branch in New York, U.S. As of 30 June 2009, the Remaining Group held 93.82 million A shares of CMB, representing a 0.64% equity interest in CMB, with an investment cost of RMB90.06 million (equivalent to US$10.76 million). The net book value of the Remaining Group’s holding in CMB was US$307.90 million. In July 2009, the Remaining Group received a cash dividend of RMB9.38 million for 2008 and 28.15 million bonus shares from CMB.

In the first half of 2009, the Remaining Group had disposed of 22.80 million A shares of CMB, and the net proceeds amounted to RMB367.95 million.

Since 2 March 2009, CMB's shares in issue have become circulating shares.

On 19 June 2009, two financing plans were approved at the shareholders meeting of CMB: the issuance of capital bonds of up to RMB30 billion to supplement its capital, and the issuance of financial bonds in the next three years with the amount not to exceed 10% of the outstanding liabilities of the CMB at the end of the previous year.

On 19 October 2009, CMB obtained approval by its shareholders to launch the proposed rights issue of A shares and H shares to all shareholders, on the basis of up to 2.5 rights shares for every 10 shares held by the shareholders. The rights issue is expected to raise RMB18 billion to RMB22 billion and the proceeds will be used to supplement capital, raise the capital adequacy ratio and sustain a fast and healthy business growth.

Subject to the fulfillment of certain regulatory requirements, the Company plans to subscribe for the CMB A Rights Shares pursuant to the CMB A Rights Issue in full. In order to proceed with the proposed subscription, the Company is required to obtain a waiver from strict compliance of Rule 21.04(3)(b) of the Listing Rules from the Stock Exchange and Shareholders' approval of the proposed subscription. The Company has applied for, and the Stock Exchange has granted, the waiver on certain conditions. The Company is in the course of seeking the Shareholders' approval in respect of the proposed subscription.

Industrial Bank Co., Ltd. ("**IBC**") is a joint-stock commercial bank incorporated in the PRC. It has over 470 branches and offices across the country. As of 30 June 2009, the Remaining Group held 49.60 million A shares of IBC, representing an equity interest of 0.99% in IBC, with an investment cost of RMB86.09 million (equivalent to US$10.39 million). The net book value of the Remaining Group's holding in IBC was US$269.93 million. In June 2009, the Remaining Group received a cash dividend of RMB23.40 million for 2008 from IBC.

In the first half of 2009, the Remaining Group had disposed of 15.20 million A shares of IBC, and the net proceeds amounted to RMB343.58 million.

In early September of 2009, IBC succeeded in issuing subordinated bond of RMB10 billion on the interbank market in order to replenish its supplementary capital.

China Credit Trust Co., Ltd. ("**CCT**") was established in 1995. The principal activities of CCT are trust management, fund management, investments and loan financing. The Remaining Group invested US$15.31 million in CCT in 2005, and holds a 6.8167% stake. In June 2009, the Remaining Group received a cash dividend of US$1.79 million for 2008 from CCT.

CCT recorded an unaudited net profit of RMB126 million for the first half of 2009, representing a decrease of 51% from the same period of the previous year; an unaudited net interest income of RMB20.64 million, representing a decrease of 11% from the same period of the previous year; an unaudited fees and commissions net income of RMB80.89 million, representing a decrease of 42% from the same period of the previous year; and an unaudited investment income of RMB35.60 million, representing a decrease of 81% from the same period of the previous year. During the first half of 2009, the unprecedented loosening of domestic credit markets had a squeeze-out effect on the real estate loans and related trust products provided by CCT, and which also led to early repayment of many trust projects. As such, the number and size of subsisting trust projects, along with fees and commissions income from trust operations, decreased significantly for the six months ended 30 June 2009 compared to the same period of the previous year.

The business registration of The People's Insurance Company (Group) of China as a shareholder was completed on 10 April 2009, and it has become the single largest shareholder of CCT.

In April 2009, the board of CCT authorized participation in the share issuance of China Guodu (Hong Kong) Financial Holdings Limited ("Guodu Hong Kong", a wholly owned subsidiary of Guodu Securities Co., Ltd. in Hong Kong). CCT intends to subscribe for HK$60 million of the offering, representing 30% of Guodu Hong Kong's registered capital after the share issuance. The offering is subject to the approval of the China Securities Regulatory Commission ("CSRC").

In August 2009, CCT received approval from the CBRC to conduct private equity fund investment business with its own funds.

Industrial Securities Co., Ltd. ("**ISCL**") is a comprehensive securities company incorporated in the PRC. With approval by the CSRC, ISCL obtained a new securities business license in April 2009. As a result, its scope of operations has been expanded to include brokerage, securities investment consulting, financial advisory with respect to securities transactions and securities investments, securities underwriting and sponsoring, proprietary securities trading, securities asset management, distribution of securities investment funds, and intermediary services for futures companies.

The Remaining Group invested RMB8.51 million (equivalent to US$1.03 million) in 1999, and held 8.736 million shares, representing a 0.45% equity interest in ISCL at 30 June 2009. In the first half of 2009, trading volume on the stock markets in Shenzhen and Shanghai increased significantly and contributed to an expansion of commission income for securities companies who participate in these markets. ISCL recorded an unaudited net profit of RMB545 million for the first half of 2009, representing an increase of 102% from the same period of the previous year.

In August 2009, the Remaining Group received a cash dividend of RMB0.87 million for 2008 from ISCL.

Morgan Stanley Huaxin Fund Management Co., Ltd. ("**Morgan Stanley Fund**"), formerly known as Jutian Fund Management Co., Ltd., was established in 2003 with registered capital of RMB100 million. The Remaining Group invested RMB10 million (equivalent to US$1.21 million) in 2003, and holds a 10% equity interest in Morgan Stanley Fund.

Morgan Stanley Fund recorded an unaudited net loss of RMB6.08 million for the first half of 2009, compared to a net loss of RMB1.92 million for the same period of the previous year. Unaudited management fee income for the first half of 2009 was RMB13.41 million, representing a decrease of 37% from the same period of the previous year. Operating expenses for the first half of 2009 were RMB24.63 million, representing an increase of 11% from the same period of the previous year. Fewer average assets under management, lower management fee income and an increase in operating expenses contributed to the loss.

As of 30 June 2009, the aggregate net asset value of funds under the management of Morgan Stanley Fund increased to RMB2.13 billion from RMB1.66 billion at the end of 2008. In order to increase the assets under management, Morgan Stanley Fund has been actively preparing for the issue of new funds. As a result, a new equity fund, namely "Morgan Stanley Huaxin Leading Advantage Equity Securities Investment Fund", was successfully launched in October 2009 with initial fund size of RMB700 million and a new bond fund, namely "Morgan Stanley Huaxin Enhanced Return Bond Securities Investment Fund", started to invite initial public subscriptions in mid-November 2009.

Morgan Stanley Fund plans to increase investment in the coming years, to enhance business infrastructure, and to maintain a compensation structure that will attract and retain top talent. In addition, despite the expected gradual increase in assets under management, Morgan Stanley Fund expects to remain in a development stage for 2009 and 2010, and the company's loss may continue.

NBA China, L.P. ("**NBA China**") is a limited liability partnership entity that was incorporated in the Cayman Islands in 2007. The Remaining Group invested US$23 million in January 2008, accounting for 1% of the preferred equity in NBA China. Other strategic investors hold the remaining 10% of preferred equity. NBA China has exclusive rights to operate the NBA's businesses in the Greater China Region, including television broadcasting rights, advertising, sponsorship, events, digital media, and merchandising, among other new businesses.

Since its inception, NBA China has actively developed a variety of businesses, and sponsorship is one important source of growth. NBA China has established cooperative relationships with many large enterprises such as Toyota, Peak, Mengniu, OPPO and Tsingtao Beer. Due to uncertainty in the economic outlook for the coming year, some sponsors may become more cautious in making investments in sponsorship and advertisement. NBA China will develop more new sponsors to support its business growth.

The content business (including traditional TV broadcasts and internet media) is maintaining stable and relatively fast growth. NBA China has developed a variety of programmes with an NBA theme to support the growth of its content business. One example was the launch of "Mengniu-NBA Ultimate Blueprint for Basketball Players", a TV reality show, in cooperation with Shandong TV Satellite Station and the Mengniu Group in May 2009.

Since July 2008, NBA China has established seven franchised NBA specialty shops in Beijing, Shanghai, Guangzhou, Changsha and Wenzhou. It intends to actively develop franchised NBA specialty shops, NBA-branded products and joint-branded products into an important revenue source.

NBA China has been in partnership with AEG Group to participate in the design, marketing and operation of multi-purpose NBA-style sports and entertainment arenas in various cities across the PRC. As the number of such arenas increases and reaches a certain scale, the business will become one of the key drivers for NBA China's business growth. In addition, NBA China has announced its commercial cooperation with the Shanghai World Expo Performing Arts Centre and Guangzhou International Sports Performing Arts Centre, which are under construction.

Inbank Media (China) Co., Ltd. ("**Inbank Media**") was established in June 2007, and its registered capital was then RMB13.75 million. The Remaining Group invested a total of RMB45 million (equivalent to US$6.59 million) in June 2009, and holds a 9.09% equity interest in the enlarged capital of Inbank Media, as well as a convertible bond amounting to RMB15 million with a three year maturity and at a rate of 6.7% per annum. All approvals for the Remaining Group's acquisition of an equity interest in Inbank Media as well as the relevant change of business registration were completed in August 2009.

In the first half of 2009, Inbank Media was still establishing its network and team. Currently, over 2,000 terminal facilities have been installed at key banking service outlets in Beijing, Shanghai and Guangzhou. Inbank Media plans to have over 4,000 terminal facilities installed in the above three cities by the end of 2009. Meanwhile, Inbank Media commenced advertising sales in August 2009 and begins to see growth in this revenue stream.

Shandong Jinbao Electronics Co., Ltd. ("**Jinbao**") was established in Zhaoyuan City of Shandong Province in 1993 and engages in the production and sale of copper-foil and laminate. The Remaining Group's cumulative investment is US$7.85 million, representing an interest of 30% in Jinbao. For the first half of 2009, Jinbao recognised a revenue of RMB591 million, and earned an unaudited net profit of RMB8.63 million, representing a decrease of 23% and 74%, respectively, over the same period of the previous year. The decrease was mainly due to a sharp reduction in business at the end of the previous year under the influence of the financial crisis at that time. Jinbao experienced a recovery in the first quarter of 2009, along with a gradual improvement in operating results. Jinbao's sales in the second quarter improved significantly, and its capacity utilisation has recovered from below 30% at the end of the previous year to above 90% at the end of June. However, price volatility in electrolytic copper as well as selling products is relatively high during the period and sales can be unpredictable, resulting in a relatively large decrease in profit compared to the same period in the previous two years.

Given that Jinbao incurred a substantial loss for 2008, the listing application was temporarily suspended in accordance with a resolution from the 2008 shareholders meeting.

Langfang Oriental Education Facilities Development Co., Ltd. (**"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 contract term. In June 2002, the Remaining Group invested US$5 million for an equity interest of 25%.

Oriental is engaged in the operation and management of the Phase 1 dormitories of Oriental University City of Langfang City, which has a capacity of approximately 17,000 students. It accommodated less than 13,000 students in the school year of 2008/2009, over 3,000 students fewer than the previous school year.

Due to factors that included additional charges, additional taxes, a decrease in the number of students and a reduction in rental income, Oriental recorded an unaudited net loss of RMB0.187 million for the first half of 2009, compared to a net profit of RMB4.81 million in the same period of the previous year.

Some of the universities and colleges in the Langfang City area are relocating back to Beijing and occupancy in the school year of 2009/2010 has further declined.

Pursuant to the relevant agreement, the Remaining Group was in negotiations with its new joint venture partner, Raffles Education Corp. of Singapore, for the termination of its participation in Oriental.

Shenzhen Mankam Square (“**Mankam**”) is a 33-storey business/commercial complex on North Wen Jin Road, Shenzhen. In 1994, the Remaining Group invested US$4.30 million through Hansen Enterprises Limited (“Hansen”), which has a 35% equity interest in the complex, to purchase 5,262 square metres of retail space on the third floor of Mankam. Due to problems concerning ownership, the first and second floors have not yet commenced operation which has caused great difficulty in renting or selling the third floor. The Remaining Group is still actively seeking an opportunity to exit the investment. The Remaining Group reserved for the full amount of this investment in 2005.

China Merchants Plaza (Shanghai) Property Co., Ltd. (“**China Merchants Plaza**”) was incorporated in Shanghai in 1994, to engage in the development of a commercial and business complex. The Remaining Group invested US$5.685 million in 1994 and holds an effective equity interest of 19.8% in China Merchants Plaza. The commercial complex is a 28-storey office/retail building located at North Chengdu Road, Jingan District, Shanghai, with a total saleable area of 60,217 square metres, of which 49,438 square metres (net of the area sold) remain available for leasing. The Remaining Group reserved for the full amount of this investment in 2000 due to the substantial leverage, high financing costs and significant accumulated losses of China Merchants Plaza. For the first half of 2009, China Merchants Plaza recorded an unaudited net profit of RMB3.82 million, representing a decrease of 72% over the same period last year. The significant decrease in net profit was mainly attributable to a reduction in occupancy due to the impact of the financial crisis. In addition, the indebtedness of China Merchants Plaza is denominated primarily in foreign currencies, and appreciation of the RMB contributed to a significant increase in exchange gains in 2008. However, appreciation of the RMB since the beginning of 2009 was not material and exchange gains decreased, which in turn affected profit.

Shenzhen Jutian Investment Co., Ltd. (“**Jutian Investment**”). In 2001, the Remaining Group invested RMB35.36 million (equivalent to US$4.27 million) in Jutian Investment, representing an equity interest of 4.66%. The Remaining Group reserved for the full amount of this investment in 2005. Jutian Investment is fully committed to recovering outstanding debts, disposing of assets, and settling taxation issues and remaining litigation.

EMPLOYEES

Other than a qualified accountant whose remuneration is borne by the Investment Manager, the Remaining Group has no employees. The Investment Manager handles the portfolio and day-to-day administration of the Remaining Group.

CHARGES ON GROUP ASSETS

As at 30 June 2009, there were no charges on any assets of the Remaining Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed above under the heading “Significant Investments of the Remaining Group”, as at 30 June 2009, the Remaining Group did not draw up any definitive future plans relating to material investments or capital assets.

GEARING RATIO

As at 30 June 2009, the Remaining Group had not incurred any debt or borrowings.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

Most of the Remaining Group’s investments are located in China where the official currency is the RMB. The conversion rate of RMB against US$ recorded an increase of 0.04% in the first half of 2009, which had a positive impact on the Remaining Group since it holds a considerable amount of assets denominated in RMB.

CONTINGENT LIABILITIES

As at 30 June 2009, the Remaining Group did not have any material contingent liabilities.

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 31 October 2009, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Circular, apart from the intra-group liabilities, the Group did not have any outstanding borrowing, mortgages, charges, debentures, loan capital or overdraft, 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.

3. SUFFICIENCY OF 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 Disposals, 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 (the "Model Code") were as follows:

Long position in the ordinary shares in the Company

Name of Director	Capacity	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	3,224,000	2.16%

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.

As at the Latest Practicable Date, the following Directors are a director or employee of a substantial shareholder of the Company:

(a) Mr. LI Yinquan is the Vice President and Chief Financial Officer of China Merchants Group Limited and also a Director of China Merchants Steam Navigation Company Limited;

(b) Mr. HONG Xiaoyuan is the Managing Director of China Merchants Finance Holdings Company Limited; and

(c) Mr. TSE Yue Kit is the General Manager in Investment and Development Division of China Merchants Finance Holdings Company Limited.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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 Divisions 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 Ordinary Shares Interested	Approximate Percentage in the Company's Share Capital
Substantial shareholders:				
China Merchants Group Limited *(Note 3)*	Long	Interest of controlled corporation	35,859,760	24.04%
China Merchants Steam Navigation Company Limited *(Note 3)*	Long	Interest of controlled corporation	35,859,760	24.04%
China Merchants Holdings (Hong Kong) Company Limited *(Note 1)*	Long	Interest of controlled corporation	35,859,760	24.04%
China Merchants Finance Holdings Company Limited *(Note 2)*	Long	Interest of controlled corporation	35,859,760	24.04%
China Merchants Financial Services Limited *(Note 3)*	Long	Interest of controlled corporation	33,989,760	22.79%
Good Image Limited	Long	Beneficial owner	33,989,760	22.79%
Lazard Asset Management LLC	Long	Investment Manager	30,079,300	20.17%

Shareholder	Long/ Short Position	Capacity	Number of Ordinary Shares Interested	Approximate Percentage in the Company's Share Capital
UBS AG	Long	Beneficial owner	44,000	8.08%
		Security interest	12,000,500	
Kuchanny Christopher Philip Charles *(Note 4)*	Long	Interest of controlled corporation	10,440,191	7.00%
Osmium Capital Management Limited *(Note 4)*	Long	Investment Manager	10,440,191	7.00%
Osmium Special Situations Fund Limited	Long	Beneficial owner	10,440,191	7.00%
華夏全球精選股票型證券投資基金	Long	Beneficial owner	9,682,000	6.49%

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 China Merchants Finance Holdings Company Limited.

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 China Merchants Financial Services Limited.

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.

Note 4: Kuchanny Christopher Philip Charles is deemed to have corporate interests in the shares by virtue of its entire shareholding in Osmium Capital Management Limited, which is the investment manager of Osmium Special Situations Fund Limited.

Save as disclosed above, 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 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, First Eastern Investment Group has a team of senior management separated from that of the Investment Manager. On the part of the Company, when 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 will, as required by the Articles of Association of the Company, abstain from voting and will not be counted in the quorum on the relevant resolution of the Board. Therefore, the Directors are of the view that the Company is capable of carrying on its businesses independently of, and at arm's length from, the businesses of First Eastern Investment Group.

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 31 December 2008, being 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, Ms. ZHOU Linda Lei and Mr. TSE Yue Kit are directors of both the Company and the 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 "Investment Management 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.

Co-investment Scheme (the "Scheme")

In order to strengthen the investment management process and to align the interests of management and relevant staff with the interests of the Company in entering new investment projects, the Investment Manager, with the consent of the Company, is implementing the Scheme. Under the Scheme, the Company has entered into sub-participation agreements with certain executive directors of the Company, certain directors and employees of the Investment Manager, and persons nominated by the Investment Manager (collectively the "Participants") with respect to new investments made by the Company beginning in 2009.

As at the Latest Practicable Date, sub-participation agreements (the "Agreements") with respect to the Company's investment in Inbank Media (China) Co., Ltd. ("Inbank Media"), Guangzhou Digital Media Group Ltd. ("Guangzhou Digital") and Wuhan Rixin Technology Co., Ltd. ("Wuhan Rixin") (Inbank Media, Guangzhou Digital and Wuhan Rixin each a "Target Company") have been made.

Pursuant to the Agreements for participation in the Company's investment in Inbank Media, the Participants have paid to the Company in aggregate HK$1 million (equivalent to RMB0.88 million), amounting to 1.96% of such investment by the Company of RMB45 million. Pursuant to the Agreements for participation in the Company's investment in Guangzhou Digital, the Participants have paid to the Company in aggregate HK$1.36 million (equivalent to RMB1.20 million), amounting to 0.57% of such investment by the Company of RMB210 million. Pursuant to the Agreements for participation in the Company's investment in Wuhan Rixin, the Participants have paid to the Company in aggregate HK$0.34 million (equivalent to RMB0.30 million), amounting to 2% of such investment by the Company of RMB15 million.

The Participants will receive a portion of the return (in the form of dividends, interest or other distributions or proceeds from realisation) from the Company's investment in the Target Company that is equivalent to the percentage of the investment amount contributed by the Participants in relation to the total amount invested by the Company in the Target Company. If the Company suffers a loss from its investment in the Target Company, the Participants will share the loss on a pro rata basis.

The Agreements will terminate upon either the realisation of the investment in the Target Company by the Company or upon the Investment Manager, who provides a guarantee to the Participants for the performance of the Company's obligations under the Agreements, ceasing to be the investment manager of the Company. In the former case, the Participants shall receive a pro rata portion of the proceeds from disposal of the Company's interest in the Target Company. In the latter case, the Participants will receive a pro rata portion of the value of the equity interest in the Target Company held by the Company as of 90 days prior to the termination date of the Agreements, as assessed by an independent valuer appointed jointly by the Company and the Investment Manager.

Sub-participation agreements on the same terms as the Agreements will be entered into with respect to other new investment projects of the Company. It is intended that the aggregate investment amount contributed by the Participants in each of the Company's other new investment projects will not exceed 2% of the Company's investment in each project.

Since the Scheme will enhance both the motivation and carefulness of the Participants in assessing investment opportunities for the Company, and shareholders of the Company will benefit indirectly from the returns of the investment projects through their shareholding in the Company, it is therefore considered to be in the interests of the Company and its shareholders as a whole.

As of the Latest Practicable Date, the following Directors of the Company have participated in the Scheme and their respective co-investment amounts are as follows:

	For Inbank Media project *US$*	**For Guangzhou Digital Project** *US$*	**For Wuhan Rixin Project** *US$*
Mr. HONG Xiaoyuan	12,900	12,900	3,510
Ms. ZHOU Linda Lei	12,900	25,800	4,390
Mr. TSE Yue Kit	1,290	1,290	1,290

Other than the Investment Management Agreement and the Agreements mentioned above, there were no contracts subsisting at the Latest Practicable Date in which a Director is materially interested and which is significant in relation to the business of the Group.

9. MATERIAL CONTRACTS

No material contract, not being contracts 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 circular.

10. LITIGATION

So far as the Directors are aware, neither the Company nor any of its subsidiaries was engaged in any litigation or claims of material importance and no litigation or claims 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:

Name	Qualifications
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 Group were made up, acquired or disposed of by 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 46/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

(c) The Company Secretary of the Company is Mr. Leung Chong Shun who is a practising solicitor and a partner of Messrs. Woo, Kwan, Lee & Lo, Solicitors & Notaries.

(d) The qualified accountant of the Company is Miss Tsang Wai Chu who is a member of the Hong Kong Institute of Certified Public Accountants.

(e) In case of inconsistency, the English text of this circular and the accompanying form of proxy shall prevail over the Chinese text.

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 letter from Deloitte Touche Tohmatsu reporting on the Pro Forma Financial Information of the Remaining Group as set out in Appendix II to this circular;

(c) the written consent referred to under the section headed "Expert" in this Appendix;

(d) the comfort letter from Deloitte Touche Tohmatsu on the unaudited financial information of the CMB Interests (excluding the 24,659,010 CMB A Rights Shares estimated to be allotted and issued to the Company pursuant to the CMB A Rights Issue) and IBC Interests as set out in Appendix I to this circular; and

(e) the annual reports of the Company for each of the two years ended 31 December 2007 and 2008 and the interim report for the six months ended 30 June 2009.

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 on Monday, 14 December 2009, at Lavender Room, 27/F, The Park Lane Hotel Hong Kong, 310 Gloucester Road, Hong Kong, at 2:30 p.m., to consider, and, if thought fit, pass the following resolutions (with or without modifications) as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**:

(a) the proposed subscription (the "**Proposed Subscription**") for A shares in 招商銀行股份有限公司 (China Merchants Bank Co., Ltd.) ("**CMB**"), a joint-stock commercial bank approved by the China Banking Regulatory Commission in the People's Republic of China with limited liability, whose A shares (the "**CMB A Shares**") are listed on the Shanghai Stock Exchange, by the Company, pursuant to the revised proposed rights issue of CMB A Shares on the basis of up to two and a half (2.5) CMB A Rights Shares for every ten (10) existing CMB A Shares (details of which have been set out in the circular issued by CMB on 2 September 2009 and any amendment thereof) be and is hereby approved; and

(b) the Investment Restriction (as defined in the circular of the Company dated 27 November 2009) be and is hereby waived in connection with the Proposed Subscription."

2. "**THAT**:

(a) the disposal (the "**CMB Disposal Mandate**") of any or all A shares in 招商銀行股份有限公司 (China Merchants Bank Co., Ltd.), a joint-stock commercial bank approved by the China Banking Regulatory Commission in the People's Republic of China with limited liability, whose A shares (the "**CMB A Shares**") are listed on the Shanghai Stock Exchange, held by the Company, its subsidiaries, jointly controlled entities and associated companies (collectively, the "**Group**"), for a period of 12 months from the date of passing of this resolution on the following conditions:

(i) the Group will dispose of the CMB A Shares in the open market through the trading system of the Shanghai Stock Exchange; and

(ii) the selling price of the CMB A Shares will be the market price of the CMB A Shares at the relevant times. Market price refers to the price allowed under the trading system of the Shanghai Stock Exchange, but will not be less than RMB5.00 (equivalent to approximately HK$5.67) per CMB A Share

be and is hereby approved; and

(b) the directors of the Company be and are hereby authorized 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 CMB Disposal Mandate."

3. "**THAT**:

(a) the disposal (the "**IBC Disposal Mandate**") of any or all 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 China Banking Regulatory Commission in the People's Republic of China with limited liability, whose A shares (the "**IBC A Shares**") are listed on the Shanghai Stock Exchange, held by the Company, its subsidiaries, jointly controlled entities and associated companies (collectively, the "**Group**"), for a period of 12 months from the date of passing of this resolution on the following conditions:

(i) the Group will dispose of the IBC A Shares in the open market through the trading system of the Shanghai Stock Exchange; and

(ii) the selling price of the IBC A Shares will be the market price of the IBC A Shares at the relevant times. Market price refers to the price allowed under the trading system of the Shanghai Stock Exchange, but will not be less than RMB12.00 (equivalent to approximately HK$13.61) per IBC A Share

be and is hereby approved; and

(b) the directors of the Company be and are hereby authorized 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 IBC Disposal Mandate."

By order of the Board
ZHOU Linda Lei
Director

Hong Kong, 27 November 2009

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