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

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

**If you have sold or transferred** all your shares in **China Merchants China Direct Investments Limited**, you should at once hand this circular, 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.

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**CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED**

**招商局中國基金有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code : 133)**

**CONTINUING CONNECTED TRANSACTION**

**PROPOSED RE-APPOINTMENT OF CHINA MERCHANTS CHINA  
INVESTMENT MANAGEMENT LIMITED AS INVESTMENT MANAGER**

**Financial adviser to the Company**

**ANGLO CHINESE** 英  
CORPORATE FINANCE, LIMITED 高

**Independent financial adviser to the Independent Board Committee and  
the Independent Shareholders**



**CIMB Securities (HK) Limited**

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A letter from the Board is set out on pages 4 to 12 of this circular. A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders is set out on pages 13 to 14 of this circular. A letter from CIMB, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 31 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 on Thursday, 25 March 2010 at 3:00 p.m. is set out on pages 39 to 40 of this circular. Whether or not you are able to attend the meeting in person, you are recommended 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 such meeting or any adjournment thereof. Completion and return of the proxy form shall not preclude you from subsequently attending and voting in person at the meeting or any adjournment thereof should you so wish.

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Hong Kong, 10 March 2010

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## DEFINITIONS

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

“associates”	shall have the same meaning as is provided in the Listing Rules
“Board”	the board of directors of the Company
“CIMB”	CIMB Securities (HK) Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Revised Management Agreement, the transaction contemplated thereunder and the proposed annual caps
“CMCIM”	China Merchants China Investment Management Limited, a fund management company incorporated in Hong Kong with limited liability and registered under the SFO
“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
“Companies Ordinance”	Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held on 25 March 2010 to consider, if thought fit, approve the transaction contemplated under the Revised Management Agreement and the proposed annual caps, the notice of which is set out on pages 39 to 40 of this circular
“Existing Management Agreement”	the investment management agreement entered into between the Company and CMCIM dated 15 July 1993, the term of which will expire on 14 July 2010
“Group”	the Company, its subsidiaries, jointly controlled entities and associated companies
“HK\$ or HKD”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors of the Company, namely Mr. KUT Ying Hay, Mr. WANG Jincheng, Mr. LI Kai Cheong, Samson and Mr. LIU Baojie, to make recommendation to the Independent Shareholders in respect of the transaction contemplated under the Revised Management Agreement and the proposed annual caps
“Independent Shareholders”	the shareholders of the Company other than the respective associates of China Merchants Finance Holdings Company Limited and Mr. CHU Lap Lik, Victor
“Latest Practicable Date”	9 March 2010, 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
“Management Period”	the term of the appointment of CMCIM under the Revised Management Agreement, commencing on 15 July 2010 and ending on 31 December 2012
“NAV”	the net asset value of the Company calculated on the basis as set out in the Prospectus
“PRC”	the People’s Republic of China
“PRC Business Day”	a day other than a Saturday, Sunday or a public holiday in the PRC
“Prospectus”	the prospectus of the Company dated 15 July 1993
“Revised Management Agreement”	the investment management agreement dated 5 February 2010 entered into between the Company and CMCIM in relation to the re-appointment of CMCIM as the investment manager of the Company with effect from 15 July 2010
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“US\$ or US dollar”	United States Dollars, the lawful currency of the United States of America
“%”	per cent

*For illustrative purposes in this circular only, translation of HK\$ into RMB is made at the rate of HK\$1 = RMB0.88*

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LETTER FROM THE BOARD

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**CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED**

**招商局中國基金有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code : 133)**

*Executive Directors:*

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)*

*Registered office:*

1803, China Merchants Tower

Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

*Non-executive Directors:*

Mr. KE Shifeng

Mr. WANG Qi

*Independent non-executive Directors:*

Mr. KUT Ying Hay

Mr. WANG Jincheng

Mr. LI Kai Cheong, Samson

Mr. LIU Baojie

10 March 2010

*To the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION  
PROPOSED RE-APPOINTMENT OF CHINA MERCHANTS CHINA  
INVESTMENT MANAGEMENT LIMITED AS INVESTMENT MANAGER**

**1. INTRODUCTION**

On 5 February 2010, the Board announced that the Company entered into the Revised Management Agreement with CMCIM on the same day in relation to the proposed re-appointment of CMCIM as the Company's investment manager for the Management Period, immediately following the expiry date of the Existing Management Agreement on 14 July 2010.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with further details of the Revised Management Agreement, the recommendation of the Independent Board Committee, the advice of CIMB to the Independent Board Committee and the Independent Shareholders, and the notice convening the EGM, at which an ordinary resolution will be proposed to consider and, if thought fit, approve the Revised Management Agreement and the proposed annual caps.

### 2. REVISED MANAGEMENT AGREEMENT

Reference is made to an announcement of the Company dated 13 January 2010 in which it was stated that an independent committee, comprising Mr. KUT Ying Hay, Mr. WANG Jincheng and Mr. LI Kai Cheong, Samson, had been formed to review the terms of the Existing Management Agreement. It was also announced that the independent committee had resolved to revise the terms of the Existing Management Agreement and the Company had notified CMCIM that it would not be automatically renewed upon expiry of the then current three year term.

#### Principal terms

The principal terms of the Revised Management Agreement include:

- Condition: The Revised Management Agreement is conditional upon the approval by the Independent Shareholders at a general meeting of the Company in accordance with the requirements of the Listing Rules.
- Term of appointment: The appointment of CMCIM is for a fixed term commencing on 15 July 2010 and ending on 31 December 2012. Thereafter, subject to and conditional upon compliance with all applicable requirements under Chapter 14A of the Listing Rules (including but not limited to independent shareholders' approval, if applicable), the appointment of CMCIM under the Revised Management Agreement shall be automatically renewed for further periods of three years after the expiry of each fixed term, unless either party shall at least six months prior to such expiry date give notice to the other party not to renew the appointment, whereupon the Revised Management Agreement will terminate at the end of the then current fixed period.
- Services: CMCIM shall undertake all investment and management duties arising pursuant to the operation of the Company and shall be responsible for identifying and evaluating investment opportunities, executing investment decisions, monitoring and enhancing investments of the Company, making decisions on investments and realizations for the Company in accordance with the investment objectives and policy of the Company as described in the Prospectus and as from time to time laid down by the Directors, managing the corporate affairs of the Company and dealing with its day to day administration.

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## LETTER FROM THE BOARD

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Remuneration:                      *Management fee:*                      The Company will pay to CMCIM an annual management fee in US dollars (or the HKD or RMB Equivalent of the same) equal to the aggregate of:

- (a) 2.25% of the book value (net of taxes) of the invested portion of the assets of the Company; and
- (b) 0.75% of the book value of the uninvested portion of the assets of the Company,

in each case as at the last day of the relevant quarter. Such fee shall be payable within 15 calendar days after the last day of the first 3 quarters of each financial year and within 15 calendar days after the publication of the audited financial results of the Company for the relevant financial year on the websites of the Company and the Stock Exchange for the last quarter of each financial year.

*Performance fee:*                      Conditional upon the NAV at the end of each financial year (as Adjusted) exceeding:

- (i) 112% of the NAV for the immediately preceding financial year (the “**Hurdle**”); and
- (ii) the higher of:
  - (a) the NAV for the Reference Year, or
  - (b) the NAV of the most recent financial year after the Reference Year and in which a performance fee was paid

(which, in the event of a capital change or distribution, shall be Adjusted) (the “**High Watermark**”),



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## LETTER FROM THE BOARD

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the Company will also pay to CMCIM an annual performance fee in US dollars (or the HKD or RMB Equivalent of the same) equal to 15% of the amount by which the NAV of the Company as at the end of the relevant financial year (as Adjusted) exceeds the higher of the Hurdle or the High Watermark. Such fee shall be payable as soon as practicable after the publication of the audited financial results of the Company for the relevant financial year on the websites of the Company and the Stock Exchange, and in any event not later than 180 calendar days after the publication of the same.

For the purpose of calculating the performance fee:

- (1) the NAV (other than that for the calculation of the Hurdle) and, where applicable, the High Watermark shall be adjusted (“**Adjusted**”) in a fair and reasonable manner as the Company and CMCIM shall agree (or in default of agreement by the auditors of the Company acting as experts and not as arbitrators who shall be required to certify that such adjustment is fair and reasonable) so as to:
  - (a) take account of any adjustments to the share capital of the Company during any relevant accounting period;
  - (b) take account of any repurchases or redemption of shares of the Company during any relevant accounting period; and
  - (c) take no account of (that is, include in the calculation of the NAV as if such distributions had never been made or fees paid) any distributions or dividends made by the Company or any fees paid to CMCIM pursuant to the Revised Management Agreement during any relevant accounting period.

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## LETTER FROM THE BOARD

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- (2) the “**HKD or RMB Equivalent**” of a US dollar amount shall be determined by converting the US dollar amount into HKD or RMB (as the case may be) at the middle exchange rate between USD and HKD or RMB (as the case may be) published by the State Administration of Foreign Exchange of the PRC on the date of payment of the relevant sum, or if such date falls on a date other than a PRC Business Day, the immediately preceding PRC Business Day; and
- (3) the “**Reference Year**” means the financial year ended 31 December 2009.

For the purpose of calculating the performance fee for the financial year ending 31 December 2010, the Hurdle shall be 115% of the NAV for the financial year ended 31 December 2009, which is the hurdle for receiving performance fee under the Existing Management Agreement. Since the terms of both the Existing Management Agreement and the Revised Management Agreement apply to the year ending 31 December 2010, the Company and CMCIM have agreed to adopt a higher hurdle rate of 15% for this transitional period.

Investment committee approval:

Decision on any single transaction (investment or realization) of an investment amount of over US\$20 million will be subject to the approval of the investment committee of the Company as constituted by the Board from time to time. As at the Latest Practicable Date, the investment committee comprises Mr. LI Yinquan, Mr. HONG Xiaoyuan, Mr. CHU Lap Lik, Victor and Ms. ZHOU Linda Lei.

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## LETTER FROM THE BOARD

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Termination: Each of the Company and CMCIM may terminate the Revised Management Agreement with immediate effect if the other party goes into liquidation or is unable to pay its debts or otherwise becomes insolvent; or commits any material breach of the Revised Management Agreement which is not remedied within 60 days from the date of a written request that the breach be remedied.

The Company is also entitled to terminate the Revised Management Agreement at any time without compensation to CMCIM with the sanction of the Shareholders in general meeting if the Company suffers major losses due to the gross negligence of CMCIM.

### **Proposed annual caps**

The Company expects that the total annual remuneration payable to CMCIM under the Revised Management Agreement for the following periods will not exceed the following maximum amounts:

	<i>US\$</i>
For the year ending 31 December 2010	124,000,000
For the year ending 31 December 2011	128,000,000
For the year ending 31 December 2012	133,000,000

In computing the above proposed annual caps, the Directors have taken into account and made reference to the projected growth in the underlying value of the investment portfolio of the Company and the historical record of the management fee and performance fee received by CMCIM under the Existing Management Agreement, details of which are set out in the paragraph below. Since the Company became listed on the Stock Exchange in 1993, CMCIM was only entitled to performance fees under the Existing Management Agreement for the financial years 2006, 2007 and 2009, during which years the value of the Company's investment portfolio increased substantially. Since the amount of the performance fee payable is directly related to the valuation of the investment portfolio of the Company which is volatile in nature and may fluctuate from year to year, reference has been made to the highest performance fee paid in prior years under the Existing Management Agreement as the basis for determining the above proposed annual caps.

The above proposed annual caps in respect of the remuneration payable under the Revised Management Agreement are subject to the approval of the Independent Shareholders.

### **Historical figures of fees paid under the Existing Management Agreement**

On 15 July 1993, the Company and CMCIM entered into the Existing Management Agreement for the appointment of CMCIM as the investment manager of the Company the terms of which were similar to those of the Revised Management Agreement. The remuneration paid to CMCIM in the three financial years ended 31 December 2006, 2007 and 2008 were published in the annual reports of the Company for the relevant financial years.

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## LETTER FROM THE BOARD

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The following is a summary of the remuneration paid to CMCIM as extracted from the Company's financial statements:

	For the financial year ended 31 December			For the six months ended 30 June
	2006 US\$ (Audited)	2007 US\$ (Audited)	2008 US\$ (Audited)	2009 US\$ (Unaudited)
Management fee	3,969,821	16,828,839	13,584,553	5,757,182
Performance fee	17,324,174	104,240,057	—	30,095,868 (Note)
	<hr/>	<hr/>	<hr/>	<hr/>
Total remuneration payable	<u>21,293,995</u>	<u>121,068,896</u>	<u>13,584,553</u>	<u>35,853,050</u>

*Note:* This amount represents a provision made for the performance fee payable to CMCIM for the six months ended 30 June 2009. As disclosed in the Company's announcement dated 15 November 2009, in view of the exceptional market circumstances arising from the financial crisis and the recent performance of the Company's investments, CMCIM unilaterally offered to waive 50% of its entitlement to receive the performance fee for the year ended 31 December 2009 payable under the Existing Management Agreement, subject, if applicable, to any reporting and shareholders approval requirements under the Listing Rules.

### Condition of the Revised Management Agreement

The Revised Management Agreement is conditional upon the approval by the Independent Shareholders at the EGM.

### 3. REASONS AND BASIS FOR ENTERING INTO THE REVISED MANAGEMENT AGREEMENT

CMCIM has provided investment management services to the Company since 15 July 1993 and the Board is of the view that it would be in the interest of the Company and the Shareholders as a whole to continue with the existing relationship with CMCIM. Among the investment companies listed in Hong Kong, the Company has been the largest in terms of market capitalisation and this can be attributed to the contribution made by CMCIM together with its extensive connections in China. China Merchants Finance Holdings Company Limited and Victor Chu China Investment Limited control 55% and 45% respectively of CMCIM. This relationship has secured some valuable investments for the Company. Moreover, CMCIM's knowledge of and relationships with the existing investee companies are valuable and therefore maintaining continuity would be beneficial to the Company and the Shareholders as a whole.

In considering the fees and terms under the Revised Management Agreement, the Board has engaged financial advisers to conduct research on the terms of broadly comparable private equity funds and listed investment funds, and having taken into account of their findings and opinions, the Board considered the Revised Management Agreement was entered into on normal commercial terms that are generally in line with the market practice of private equity funds and listed investment funds.

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## LETTER FROM THE BOARD

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### 4. LISTING RULE IMPLICATIONS

CMCIM, as the investment manager of the Company since 1993, is a connected person of the Company pursuant to Rule 21.13 of the Listing Rules. Accordingly, the transaction contemplated under the Revised Management Agreement constitutes continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

As it is expected that one or more of the applicable percentage ratios in respect of the proposed annual caps for the fees payable under the Revised Management Agreement for each of the three years ending 31 December 2012 may on an annual basis exceed 25%, the transaction contemplated thereunder is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. The Company will also re-comply with the reporting, announcement and independent shareholders' approval requirements, if applicable, under Chapter 14A of the Listing Rules when the Revised Management Agreement is renewed for each fixed term.

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the transaction contemplated under the Revised Management Agreement and the proposed annual caps. CIMB has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the transaction contemplated under the Revised Management Agreement and the proposed annual caps.

CMCIM is owned as to 55% by China Merchants Finance Holdings Company Limited and as to 45% by Victor Chu China Investment Limited, which is majority owned by Mr. CHU Lap Lik, Victor. As at the Latest Practicable Date, the associates of China Merchants Finance Holdings Company Limited collectively hold 24.04% interests in the Company, whereas the associates of Mr. CHU Lap Lik, Victor collectively hold 2.16% interests in the Company. Therefore, the respective associates of China Merchants Finance Holdings Company Limited and Mr. CHU Lap Lik, Victor are deemed to have material interests in the transaction contemplated under the Revised Management Agreement and shall abstain from voting at the EGM.

The Directors, excluding Mr. CHU Lap Lik, Victor who did not express his views due to possible conflict of interest by virtue of his beneficial interest in CMCIM, are of the view that the terms of and the transaction contemplated under the Revised Management Agreement are entered into after arm's length negotiation, on normal commercial terms in the ordinary and usual course of business of the Company, generally in line with the market practice of private equity funds and listed investment funds, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and that the proposed annual caps in respect of the fees payable under the Revised Management Agreement are fair and reasonable.

### 5. INFORMATION OF THE COMPANY AND CMCIM

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

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## LETTER FROM THE BOARD

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CMCIM is a fund management company which manages the investment portfolio and day-to-day management of the Company. Pursuant to the Existing Management Agreement, CMCIM is responsible for identifying and researching prospective investments for the Company. The Board is responsible for formulating the Company's overall investment strategy and guidelines that CMCIM shall follow in making investments.

### 6. EXTRAORDINARY GENERAL MEETING

A notice of the EGM to be held at Lavender Room, 27/F, The Park Lane Hotel Hong Kong, 310 Gloucester Road, Hong Kong on 25 March 2010 at 3:00 p.m. for the purposes of considering and, if thought fit, approving the Revised Management Agreement and the proposed annual caps, is set out on pages 39 to 40 of this circular.

In accordance with Rule 13.39(4) of the Listing Rules, votes for the resolution at the EGM shall be taken by poll. An announcement of the poll results of the EGM will be published on the date of the EGM or the business day following the EGM.

### 7. 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.

### 8. RECOMMENDATION

Your attention is drawn to the letters from the Independent Board Committee and CIMB set out on pages 13 to 14 and pages 15 to 31 of this circular, respectively. The Independent Board Committee, having taken into account the advice of CIMB, considers that the terms of the Revised Management Agreement and the proposed annual caps are fair and reasonable so far as the interests of the Independent Shareholders are concerned, and that the entering into of the Revised Management Agreement is on normal commercial terms and in the ordinary and usual course of business of the Company and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, the Directors, excluding Mr. CHU Lap Lik, Victor who did not express his views due to possible conflict of interest, recommend that all Independent Shareholders should vote in favour of the relevant resolution to be proposed at the EGM.

### 9. ADDITIONAL INFORMATION

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

By Order of the Board  
**ZHOU Linda Lei**  
*Director*

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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**CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED**  
**招商局中國基金有限公司**  
*(Incorporated in Hong Kong with limited liability)*  
**(Stock Code : 133)**

10 March 2010

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION**  
**PROPOSED RE-APPOINTMENT OF CHINA MERCHANTS CHINA**  
**INVESTMENT MANAGEMENT LIMITED AS INVESTMENT MANAGER**

We refer to the circular of the Company dated 10 March 2010 (the “**Circular**”) to the Shareholders, of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

We have been appointed as members of the Independent Board Committee to advise you as to whether, in our opinion, the terms of the Revised Management Agreement and the proposed annual caps are fair and reasonable so far as the Independent Shareholders are concerned.

CIMB has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transaction contemplated under the Revised Management Agreement and the proposed annual caps.

Your attention is drawn to the “Letter from the Board” set out on pages 4 to 12 of the Circular which contains, inter alia, information about the terms of the Revised Management Agreement and the proposed annual caps, and the “Letter from CIMB” set out on pages 15 to 31 of the Circular which contains the advice from CIMB in respect of the transaction contemplated under the Revised Management Agreement and the proposed annual caps together with the principal factors taken into consideration in arriving at such.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered the terms of the Revised Management Agreement and having taken into account the factors and reasons considered by and the advice of CIMB, we consider that the entering into of the Revised Management Agreement is on normal commercial terms and in the ordinary and usual course of business of the Company. We also consider that the terms of the Revised Management Agreement and the proposed annual caps are fair and reasonable so far as the interests of the Independent Shareholders are concerned and that the entering into of the Revised Management Agreement is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the transaction contemplated under the Revised Management Agreement and the proposed annual caps.

Yours faithfully,

**KUT Ying Hay   WANG Jincheng   LI Kai Cheong, Samson   LIU Baojie**  
*Independent Board Committee*



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## LETTER FROM CIMB

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*Set out below is the text of the letter of advice from CIMB, the independent financial adviser to the Independent Board Committee and Independent Shareholders, prepared for the purpose of inclusion in this circular:*

  
**CIMB Securities (HK) Limited**

25/F Central Tower  
28 Queen's Road Central  
Hong Kong

10 March 2010

*To the Independent Board Committee and the Independent Shareholders of  
China Merchants China Direct Investments Limited*

Dear Sirs,

### **CONTINUING CONNECTED TRANSACTION PROPOSED RE-APPOINTMENT OF CHINA MERCHANTS CHINA INVESTMENT MANAGEMENT LIMITED AS INVESTMENT MANAGER**

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Revised Management Agreement and the proposed annual caps (the “**Proposed Annual Caps**”) for the continuing connected transaction contemplated under the Revised Management Agreement during the Management Period commencing on 15 July 2010 and ending on 31 December 2012, details of which are contained in a circular of the Company (the “**Circular**”) to the Shareholders dated 10 March 2010, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 5 February 2010, the Company entered into the Revised Management Agreement with CMCIM in relation to the proposed re-appointment of CMCIM as the investment manager of the Company during the Management Period.

CMCIM, as the investment manager of the Company since 1993, is a connected person of the Company pursuant to Rule 21.13 of the Listing Rules. Accordingly, the transaction contemplated under the Revised Management Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Proposed Annual Caps exceeds 25% on an annual basis, the Revised Management Agreement and the transaction contemplated thereunder and the Proposed Annual Caps are subject to the reporting, announcement and the Independent Shareholders' approval requirements under the Listing Rules.

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## LETTER FROM CIMB

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Given that as at the Latest Practicable Date, CMCIM was owned as to 55% and 45% by China Merchants Finance Holdings Company Limited and Victor Chu China Investment Limited (which was majority owned by Mr. CHU Lap Lik, Victor), respectively, and the associates of each of China Merchants Finance Holdings Company Limited and Mr. CHU Lap Lik, Victor collectively held 24.04% and 2.16% interests in the Company, respectively, the associates of each of China Merchants Finance Holdings Company Limited and Mr. CHU Lap Lik, Victor are deemed to have material interests in the transaction contemplated under the Revised Management Agreement and thus shall abstain from voting at the EGM.

The Independent Board Committee comprising Mr. KUT Ying Hay, Mr. WANG Jincheng, Mr. LI Kai Cheong, Samson and Mr. LIU Baojie, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to (i) the terms of the Revised Management Agreement and the transaction contemplated thereunder; and (ii) the Proposed Annual Caps.

### **BASIS OF OUR OPINION**

In formulating our recommendation, we consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules including the notes thereto to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the information and facts contained or referred to in the Circular, the information provided by the Company and our review of relevant public information. We have also assumed that the information, facts and representations contained or referred to in the Circular were true and accurate at the time they were made and up to the date of the EGM. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, CMCIM, or any of their respective subsidiaries or associates. We have no reason to doubt the truth, accuracy and completeness of the information, facts and representations provided and represented to us by the Company. We have also been advised by the Company and believe that no material facts have been omitted from the Circular.

### **PRINCIPAL FACTORS CONSIDERED**

In arriving at our opinion, we have considered the following principal factors and reasons:

#### **(I) Background and reasons for entering into of the Revised Management Agreement**

The Company is an investment company listed on the Stock Exchange under Chapter 21 of the Listing Rules and is principally engaged in investing in companies with significant business involvement in the PRC.

The Company and CMCIM entered into the Existing Management Agreement on 15 July 1993, pursuant to which, CMCIM would manage the Company's investment portfolio for an initial fixed period of 5 years commencing on the date of the Prospectus, the period of which thereafter shall be automatically renewed for further periods of three years after expiry of each fixed term unless either party gives notice to the other not to renew the period at least six months prior to such renewal date.

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## LETTER FROM CIMB

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The Company announced on 13 January 2010 that the Company had notified CMCIM that the Existing Management Agreement would not be automatically renewed upon the expiry of the current three year term ending on 14 July 2010 after an independent committee of the Company, comprising Mr. KUT Ying Hay, Mr. WANG Jincheng and Mr. LI Kai Cheong, Samson, reviewed the Existing Management Agreement. As the Company intends to revise certain terms, particularly the remuneration basis, of the Existing Management Agreement, which constitutes a material change to the terms of the Existing Management Agreement, pursuant to Rule 14A.36 of the Listing Rules, the Company is required to re-comply with the connected transaction requirements under Chapter 14A of the Listing Rules. Accordingly, the Company and CMCIM entered into the Revised Management Agreement on 5 February 2010.

Pursuant to the Revised Management Agreement, CMCIM shall undertake all investment and management duties arising pursuant to the operation of the Company and shall be responsible for identifying and evaluating investment opportunities, executing investment decisions, monitoring and enhancing investments of the Company, making decisions on investments and realisations for the Company in accordance with the investment objectives and policy of the Company as described in the Prospectus and as from time to time laid down by the Directors, managing the corporate affairs of the Company and dealing with its day to day administration.

Given the above, particularly the nature of the investment and management services to be provided by CMCIM to the Company under the Revised Management Agreement, we are of the view that the entering into of the Revised Management Agreement by the Company with CMCIM and the continuing connected transaction contemplated thereunder fall within the ordinary and usual course of business of the Group.

### (II) Background of CMCIM

As stated in the Prospectus, CMCIM was incorporated in Hong Kong on 6 October 1992 specifically for the purpose of managing investments for the Company, and thus, as stated in the letter from the Board of the Circular (the “**Letter from the Board**”), CMCIM, as a fund management company, has provided investment management services to the Company since 15 July 1993 pursuant to the Existing Management Agreement.

The Letter from the Board also states that the Company has been the largest in terms of market capitalisation among the investment companies listed in Hong Kong as at the Latest Practicable Date, which can be attributed to the contribution made by CMCIM together with its extensive connections in China. Leveraged on CMCIM’s relationship with China Merchants Finance Holdings Company Limited and Victor Chu China Investment Limited, each of which controlled 55% and 45%, respectively, of CMCIM as at the Latest Practicable Date, CMCIM had secured some valuable investments for the Company in the past. Moreover, as stated in the Letter from the Board, CMCIM’s knowledge of and relationships with the existing investee companies are valuable to the Company and therefore maintaining continuity would be beneficial to the Company and the Shareholders as a whole.

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## LETTER FROM CIMB

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Given the above, together with our discussion with the Company in relation thereto, we concur with the view of management of the Company that it is in the interests of the Group and the Shareholders as a whole to continue such business relationship with CMCIM by entering into of the Revised Management Agreement.

### (III) Major terms of the Revised Management Agreement

Major terms of the Revised Management Agreement, subject to the approval of the Independent Shareholders at the EGM, and our analysis thereof are set out below:

#### (i) *Remuneration and payment*

As stipulated in the Revised Management Agreement, the Company will pay to CMCIM an annual management fee and an annual performance fee in US dollars (or the HKD or RMB Equivalent of the same) which shall be determined on the following basis:

<b>Remuneration</b>	<b>Basis</b>	<b>Payment</b>
Management fee	Equal to the aggregate of:  (a) 2.25% of the book value (net of taxes) of the invested portion of the assets of the Company as at the last day of the relevant quarter; and  (b) 0.75% of the book value of the uninvested portion of the assets of the Company as at the last day of the relevant quarter	Such management fee shall be payable within 15 calendar days after the end of each quarter in the case of the first 3 quarters of each financial year and within 15 calendar days after the publication of the audited financial results of the Company for the relevant financial year on the websites of the Company and the Stock Exchange in the case of the last quarter of each financial year
Performance fee	Equal to 15% of the amount by which the NAV of the Company as at the end of the relevant financial year (as Adjusted) exceeds the higher of the Hurdle or the High Watermark, conditional upon the NAV as at the end of each financial year (as Adjusted) exceeding:  (i) 112% of the NAV for the immediately preceding financial year (the “ <b>Hurdle</b> ”); and	Such performance fee shall be payable as soon as practicable after the publication of the audited financial results of the Company for the relevant financial year on the websites of the Company and the Stock Exchange, and in any event not later than 180 calendar days after the publication of the same.

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## LETTER FROM CIMB

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### Remuneration Basis

### Payment

(ii) the higher (the “**High Watermark**”) of:

(a) the NAV for the Reference Year, being the year ended 31 December 2009; or

(b) the NAV of the most recent financial year after the Reference Year and in which a performance fee was paid

(which, in the event of a capital change or distribution, shall be Adjusted<sup>Note</sup>).

*Note:*

The Revised Management Agreement stipulates that, for the purpose of calculating the performance fee, the NAV (other than that for the calculation of the Hurdle) and, where applicable, the High Watermark shall be adjusted (“**Adjusted**”) in a fair and reasonable manner as the Company and CMCIM shall agree (or in default of agreement by the auditors of the Company acting as experts and not as arbitrators who shall be required to certify that such adjustment is fair and reasonable) so as to:

- (a) take account of any adjustments to the share capital of the Company during any relevant accounting period;
- (b) take account of any repurchases or redemption of Shares during any relevant accounting period; and
- (c) take no account of (that is, include in the calculation of the NAV as if such distributions had never been made or fees paid) any distributions or dividends made by the Company or any fees paid to CMCIM pursuant to the Revised Management Agreement during any relevant accounting period.

To assess the fairness and reasonableness of the above remuneration basis, we have discussed with management of the Company and understand that such basis is determined after arm’s length negotiations between the Company and CMCIM with reference to the prevailing market rates entitled to investment managers by other investment companies listed on the Stock Exchange. We further understand that in considering the fees and terms under the Revised Management Agreement, the Board has engaged financial advisers to conduct research on the terms of broadly comparable private equity funds and listed investment funds, and having taking into account the findings and opinions of such research (the “**Research Findings**”), the Board considers the Revised Management Agreement was entered into on normal commercial terms that are generally in line with the market practice of private equity funds and listed investment funds.

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## LETTER FROM CIMB

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While we have reviewed the Research Findings and concur with the view of the Board that the terms of the Revised Management Agreement are generally in line with the market practice of private equity funds and listed investment funds, we have focused our analysis of the terms of the Revised Management Agreement by reviewing the remuneration packages adopted by (i) investment companies (the “**Chapter 21 Companies**”) that are listed on the Stock Exchange under Chapter 21 of the Listing Rules; and (ii) companies (the “**Chapter 20 Companies**”) that are listed on the Stock Exchange under Chapter 20 of the Listing Rules and are of similar nature to the Company. We consider this analysis is more appropriate since the Company is listed on the Stock Exchange whereas the private equity funds covered by the Research Findings are unlisted. For this purpose, we have, to the best of our knowledge, conducted a research of those Chapter 21 Companies and Chapter 20 Companies which remuneration packages include both management fee (excluding that of a fixed amount) and performance fee in their remuneration packages given that the remuneration packages under the Revised Management Agreement includes both a management fee and a performance fee. Based on such selection criteria, we note that there are 8 Chapter 21 Companies (the “**Comparable Companies**”) which, in our view, have remuneration packages that are comparable with that of the Company. Details of the remuneration packages granted by the Comparable Companies are summarized as below.

Company	Stock code	Net asset value <i>(approximately)</i>	Management fee basis	Performance fee basis
China Assets (Holdings) Ltd. (“China Assets”)	170	US\$164.6 million	(i) 2.75% per annum on the aggregate cost to China Assets of the investment (less any provisions in respect thereof) held by it from time to time; and  (ii) 1% per annum on the value of the uninvested net assets, representing net asset value of China Assets less the aggregate cost of investments made by China Assets	(i) Nil on the first 10% return on net assets of China Assets;  (ii) 15% x (net profit after tax minus 10% of net assets of China Assets) on the next 10% return on net assets; and  (iii) 20% x (net profit after tax minus 20% of net assets of China Assets) on the excess over 20% return on net assets

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## LETTER FROM CIMB

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Company	Stock code	Net asset value <i>(approximately)</i>	Management fee basis	Performance fee basis
Garron International Ltd. (“Garron”)	1226	HK\$0.6 million	2% per annum of the net asset value of Garron as at the valuation date as defined in the agreement and on a quarterly basis	10% of the surplus net asset of Garron as at the last valuation date
Harmony Asset Ltd. (“Harmony”)	428	HK\$277.2 million	1.5% per annum on the net asset value of Harmony of the preceding month and payable monthly	10% of the audited net profit of a financial year (before accrual of the incentive fee)
OP Financial Investments Ltd. (“OP”)	1140	HK\$1,289.5 million	1.5% per annum on the net asset value of OP at each preceding month end as defined in the agreement	10% of the amount by which the net asset value of OP exceeds the high watermark, being (i) the net asset value of OP on the listing date; or (ii) the net asset value of OP as at the end of the latest relevant performance period in which a performance fee has been paid
Sunshine Capital Investments Group Ltd. (“Sunshine”)	721	HK\$286.0 million	2.5% per annum of the net asset value of Sunshine as at the immediately preceding valuation date, subject to a monthly minimum fee of HK\$41,667 (with one investment manager);  1% per annum of the market value of the portfolio on the last business day of each calendar quarter and payable quarterly (with the other investment manager)	10% of the surplus in net asset value of Sunshine over a financial year or period, which the surplus in the net asset value should be greater than HK\$30,000,000;  10% of the appreciation in the market value of the portfolio above 10% hurdle rate per annum

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**LETTER FROM CIMB**

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Company	Stock code	Net asset value <i>(approximately)</i>	Management fee basis	Performance fee basis
Shanghai International Shanghai Growth Investment Ltd (“Shanghai International”)	770	US\$20.8 million	0.5% of the net asset value of Shanghai International calculated on the last business day of the previous quarter (equivalent to 2% per annum)	15% of the excess amount by which the net asset value of Shanghai International as at 31 December of each year exceeding 115% of the net asset value of Shanghai International as at 31 December of the immediately preceding year
UBA Investments Ltd (“UBA”)	768	HK\$112.9 million	1.5% per annum of the consolidated net asset value of UBA as at the immediately preceding valuation date and payable monthly	20% of net profit of UBA before taxation and before deduction of the management fee
SHK Hong Kong Industries Ltd. (“SHK”)	666	HK\$1,020.8 million	0.375% of the gross net asset value for each quarter (equivalent to 1.5% per annum)	20% of the amount by which the audited consolidated net asset value of SHK exceeds the high watermark, being (i) the audited consolidated net asset value of SHK as at the end of the latest financial year if a performance fee has been paid; or (ii) the consolidated net asset value of SHK as at 1 October 2007



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## LETTER FROM CIMB

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Company	Stock code	Net asset value <i>(approximately)</i>	Management fee basis	Performance fee basis
the Company	133	US\$549.4 million	(i) 2.25% per annum of the book value (net of taxes) of the invested portion of the assets of the Company as at the last day of the relevant quarter; and  (ii) 0.75% per annum of the book value of the uninvested portion of the assets of the Company as at the last day of the relevant quarter	15% of the surplus of NAV as at the end of the relevant financial year (as Adjusted) over the higher of the Hurdle or the High Watermark (as defined below), subject to conditions above

(a) *Management fee analysis*

The basis for the calculation of the management fee payable by the Company to CMCIM under the Revised Management Agreement remains the same as that under the Existing Management Agreement i.e. the sum of (i) 2.25% of the Company’s invested assets; and (ii) 0.75% of the Company’s uninvested assets. In this regard, the effective rate of management fee payable by the Company is approximately 1.86%, being the weighted average management fee rate calculated based on the Company’s invested assets (net of taxes) of approximately USD510.0 million and uninvested assets of approximately USD177.2 million as at 30 June 2009 and the management fee rate, being 2.25% for the invested assets and 0.75% for the uninvested assets, under the Revised Management Agreement.

Based on our review of the management fee payable by the Comparable Companies, we note that investment managers of the Comparable Companies usually charge a management fee rate (the “**Management Fee Rate Range**”) ranging from 1.0% to 2.75% per annum based on the net asset value.

We note that the invested portion of the management fee is calculated based on the book value (net of taxes) of the Company’s invested assets. We have discussed with management of the Company in respect of the basis for calculation of the management fee under the Revised Management Agreement and understand that under the assumption of no borrowings, the sum of invested and uninvested assets of the Company is equivalent to the net asset value of the Company. The Company

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## LETTER FROM CIMB

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further advised that (i) the Company currently has no bank or other borrowings; and (ii) given the amount of cash to be generated subsequent to the disposal of the Company's certain investments and particularly certain interests in China Merchants Bank Co., Ltd. ("CMB") within six months from the completion of the proposed rights issue of A shares of CMB, details of which are set out in the circular of the Company dated 27 November 2009, it is unlikely for the Company to borrow additional money for investment over the Management Period.

Given that (i) the management fee rate, being 2.25% for the invested assets and 0.75% for the uninvested assets, under the Revised Management Agreement falls within the Management Fee Rate Range and remains the same as that under the Existing Management Agreement; and (ii) the effective rate of management fee as elaborated above, being approximately 1.86%, falls within the Management Fee Rate Range, we consider the basis for calculation of the management fee under the Revised Management Agreement is reasonable.

For reference purpose only, we have also reviewed the Chapter 21 Companies and the Chapter 20 Companies of similar nature (collectively, the "Reference Companies") the remuneration packages of which include management fee (excluding that of a fixed amount) only, details of which are summarized below. We have not taken into account the remuneration packages adopted by exchange traded funds and real estate investment funds as we are of the view that the investment nature of these funds is of a nature different from that of the Company.

<b>Company</b>	<b>Stock code</b>	<b>Net asset value</b> <i>(approximately)</i>	<b>Management fee basis</b>
<b>Under Chapter 21 of the Listing Rules</b>			
Mastermind Capital Ltd. ("Mastermind")	905	HK\$32.1 million	0.375% of the net asset value of Mastermind per quarter with a minimum of HK\$150,000 per three months (equivalent to 1.5% per annum)
Prosperity Investment Holdings Ltd. ("Prosperity")	310	HK\$364.9 million	1.9% per annum of the consolidated net asset value of Prosperity
Sino Katalytics Investment Corporation ("Sino")	2324	HK\$249.3 million	the lesser of (i) HK\$80,000 per month; or (ii) 0.50% per annum of the net asset value of Sino as at the valuation date
Temujin International Investments Ltd. ("Temujin")	204	HK\$12.6 million	the higher of (i) HK\$100,000; or (ii) 1.25% of the net asset value of Temujin provided that such annual fee shall not exceed HK\$600,000

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## LETTER FROM CIMB

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Company	Stock code	Net asset value <i>(approximately)</i>	Management fee basis
<b>Under Chapter 20 of the Listing Rules</b>			
HSBC China Dragon Fund ("Dragon Fund")	820	HK\$3,014.6 million	1.5% per annum of the net asset value of Dragon Fund payable monthly in arrears
New Era PRC Fund ("New Fund")	2301	US\$11.0 million	1.5% per annum of the net asset value of New Fund payable monthly in arrears

We note that investment managers or investment advisors (as the case maybe) of the Reference Companies charge a management fee rate ranging from 0.5% to 1.9% per annum based on the net asset value and the Company's effective management fee rate of 1.86% as elaborated above under the Revised Management Agreement also falls within such range.

*(b) Performance fee analysis*

Under the Existing Management Agreement, CMCIM is entitled to a performance fee, which equals to 15% of the excess amount by which the NAV of the Company as at the end of each accounting period exceeds 115% of the NAV of the Company as at the end of the immediately preceding accounting period.

Under the Revised Management Agreement, the hurdle for the performance fee is revised and a highwater mark provision is added. Under the Revised Management Agreement, the Company will pay to CMCIM an annual performance fee which is equal to 15%, being the charging rate of the Company, of the amount by which the NAV of the Company as at the end of the relevant financial year exceeds the higher of:

- (i) 112% of the NAV for the immediately preceding financial year (the "**Hurdle**"); and
- (ii) the higher of:
  - (a) the NAV for the Reference Year; or
  - (b) the NAV of the most recent financial year after the Reference Year in which a performance fee was paid (the "**High Watermark**").

Regarding the performance fee structure under the Revised Management Agreement, we have compared the performance fee basis adopted by the Comparable Companies with that of the Company. Based on our review, we note that the performance fee basis of the Comparable Companies varies with different structures and save for Harmony and UBA, the performance fee is structured to be linked with

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## LETTER FROM CIMB

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net asset of investment companies, which we consider are acceptable and reasonable benchmarks for measuring growth of investment companies and also performance of investment managers, and is calculated based on a charging rate ranging from 10% to 20%. As such, the Company's charging rate, being 15%, falls within the market range and the use of net asset as a basis for calculation of performance fee is not uncommon. We also note that the hurdle rate of 12% under the Hurdle falls within the range of the hurdle rates, being 0% to 15% of net asset value, adopted by those Comparable Companies. In this regard, we consider that the performance fee structure under the Revised Management Agreement, that is 15%, being the charging rate of the Company, of the Company's NAV over the Hurdle, being set at 112% NAV of the Company for the immediately preceding financial year, is broadly in line with the market practice and is on normal commercial terms.

We note that the Existing Management Agreement does not provide a high watermark provision and CMCIM would be entitled to performance fees if it achieves a 115% NAV as at the end of the immediately preceding financial year. As compared with that, we consider that the introduction of the High Watermark provision in calculating the performance fee under the Revised Management Agreement is fair and reasonable for the Company as such provision ensures that CMCIM would not be entitled to performance fees unless it achieves a NAV exceeding the higher of the NAV as at 31 December 2009 or the previously highest NAV as at the end of any prior financial year in which a performance fee was paid. Based on our review of reports in relation to fee structures of private equity funds and hedge funds sourced from public domain, we also note that a high watermark provision is commonly adopted in performance fee structures of private equity funds and hedge funds in the market. Having considered the above, we are of the view that the introduction of high watermark provision in the Revised Management Agreement is in the interests of the Company and the Shareholders as a whole.

Among the Comparable Companies, OP and SHK have adopted similar high watermark provisions, being the higher of (i) the net asset value as at the end of the latest financial year in which a performance fee has been paid; or (ii) the net asset value as at a specific date. As such, we consider the Company's high watermark provision as elaborated above is comparable with them.

We note that the Company uses the NAV as at 31 December 2009 as a reference point in its high watermark provision. As advised by the Company, 31 December 2009 is the end of the most recent financial year preceding the signing of the Revised Management Agreement and is also the most recent year end in which a performance fee was paid by the Company to CMCIM under the Existing Management Agreement. In this regard, we consider that the Company's use of the NAV as at 31 December 2009 as a reference point in its high watermark provision is in line with the spirit of the Revised Management Agreement.

The Revised Management Agreement also stipulates that for the purpose of calculating the performance fee for the financial year ending 31 December 2010, the Hurdle shall be 115%, instead of 112%, of the NAV for the financial year ended 31 December 2009. As a higher hurdle for determining the performance fee for the year of 2010 is adopted, the performance fee payable by the Company for the year 2010, if any, would be lower and therefore we consider such provision is to the benefit of the Company and the Shareholders.

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## LETTER FROM CIMB

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Having considered the above, we concur with the view of management of the Company that the remuneration basis adopted by the Company is in line with the market practice and thus is fair and reasonable as far as the Company and the Shareholders are concerned.

(ii) *Investment committee approval*

Under the Revised Management Agreement, decision on any single transaction (investment or realisation) of an investment amount of over US\$20 million will be subject to the approval of the investment committee of the Company as constituted by the Board from time to time.

We have discussed with the Company on the basis of the approval threshold and understand that it was arrived at after taking into account (i) the average net asset value of the Company for each of the five years ended 31 December 2009; and (ii) a percentage threshold of 5% which represents the Company's threshold for "significance" and is in line with that under the Existing Management Agreement entered into in 1993. Having considered that the investment committee approval threshold represents less than 5% of the net asset value of the Company as at 30 June 2009, we are of the view that the investment committee approval threshold is reasonable.

(iii) *Term of appointment*

The Revised Management Agreement provides that the appointment of CMCIM is for a fixed term commencing on 15 July 2010 and ending on 31 December 2012, conditional upon the approval by the Independent Shareholders at the EGM in accordance with the requirements of the Listing Rules.

Thereafter, subject to and conditional upon compliance with all applicable requirements under Chapter 14A of the Listing Rules (including but not limited to independent shareholders' approval, if applicable), the appointment of CMCIM under the Revised Management Agreement shall be automatically renewed for further periods of three years after the expiry of each fixed term, unless either party shall at least six months prior to such expiry date give notice to the other party not to renew the appointment, whereupon the Revised Management Agreement will terminate at the end of the then current fixed period.

Given that (i) the initial fixed term does not exceed three years and the renewal of the Revised Management Agreement shall be conditional upon compliance with the Listing Rules; and (ii) the importance of the continuity of management services provided by investment managers to investment companies, we consider that the term of the Revised Management Agreement is fair and reasonable and is on normal commercial terms.

*Our view*

Having considered the above, we are of the view that the major terms of the Revised Management Agreement are on normal commercial terms, fair and reasonable so far as the Company and the Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

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## LETTER FROM CIMB

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### (IV) Proposed Annual Caps

Set out below are the details of (i) the historical transaction amount in respect of the continuing connected transaction contemplated under the Existing Management Agreement for each of the three years ended 31 December 2008 and the six months ended 30 June 2009; (ii) the unaudited transaction amount for the year ended 31 December 2009; and (iii) the Proposed Annual Caps for each of the three years ending 31 December 2012:

Transaction	Historical transaction amount			for the	for the	Proposed Annual Caps		
	for the year ended 31 December			six months	year ended	for the year ending 31 December		
	2006	2007	2008	ended	31 December	2010	2011	2012
	US\$	US\$	US\$	30 June	2009	US\$	US\$	US\$
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)			
Management fee	3,969,821	16,828,839	13,584,553	5,757,182	11,762,393			
Performance fee	17,324,174	104,240,057	—	30,095,868	18,355,339			
				(Note 1)	(Note 2)			
<b>Total remuneration payable</b>	<b>21,293,995</b>	<b>121,068,896</b>	<b>13,584,553</b>	<b>35,853,050</b>	<b>30,117,732</b>	<b>124,000,000</b>	<b>128,000,000</b>	<b>133,000,000</b>

*Notes:*

1. This amount represents a provision made for the performance fee payable to CMCIM for the six months ended 30 June 2009.
2. As disclosed in the Company's announcement dated 15 November 2009, in view of the exceptional market circumstances arising from the financial crisis and the recent performance of the Company's investments, CMCIM unilaterally offered to waive 50% of its entitlement to receive the performance fee for the year ended 31 December 2009 payable under the Existing Management Agreement, subject, if applicable, to any reporting and shareholders approval requirements under the Listing Rules. This amount represents the unaudited performance fee payable to CMCIM after such waiver.

In assessing the fairness and reasonableness of the Proposed Annual Caps, we have reviewed and discussed the calculation of the Proposed Annual Caps with management of the Company and understand that the Directors have taken into account the principal factors including (i) the historical management fee received by CMCIM from the Company for the year ended 31 December 2008 and the unaudited management fee for the year ended 31 December 2009; (ii) the estimated increase in net asset value of the Company (before accrual of performance fee and management fee) with reference to the average historical year-on-year ("YoY") appreciation in net asset value of the Company in the past few years; (iii) the fluctuation in the securities and capital markets; (iv) the possibility in the increase in the assets of the Group attributable to, among others, recovery in the economic development and the development of the stock and capital markets in both Hong Kong and the PRC; (v) the Company's intention to continuously identify new potential investment projects; and (vi) the fact that certain investment projects of the Company have appointed sponsors and are in the process of preparing for initial public offers.

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## LETTER FROM CIMB

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We note that while the Proposed Annual Caps for each of the three years ending 31 December 2012 represent a significant increase as compared with the historical transaction amount for each of the year ended 31 December 2006, the year ended 31 December 2008 and the six months ended 30 June 2009 on a pro-rata basis, the Proposed Annual Caps for each of the three years ending 31 December 2012 only represent a slight increment of approximately 2.4%, 5.7% and 9.9% over the historical transaction amount for the year ended 31 December 2007.

We also note that the performance in the net asset appreciation of the Company fluctuated significantly in recent years as according to the financial information in the 2008 annual report and the 2009 interim report of the Company, the Company has achieved the net asset value appreciation/(depreciation) of approximately 79.2%, 244.4%, (63.1)% and 64.3% for the years ended 31 December 2006, 31 December 2007, 31 December 2008 and the six months ended 30 June 2009, respectively.

Having considered (i) the historical transaction amount; (ii) the fact that the Company's net asset value increased by approximately 244.4% during the year ended 31 December 2007; (iii) the fact that certain investment projects of the Company have appointed sponsors and are in the process of preparing for initial public offers; and (iv) the movement of the Company's net asset value are subject to the prevailing market sentiment and the market volatility for the Hong Kong and the PRC markets, we concur with the management's view that the Proposed Annual Caps are appropriate to cater for the potential increase in the total remuneration payable should the high side performance is achieved. Accordingly, we are of the view that the basis adopted by management of the Company in determining the Proposed Annual Caps is fair and reasonable so far as the Company and the Shareholders are concerned.

However, the Shareholders should note that (i) the Proposed Annual Caps relate to future events and represent an estimation only of the Company in respect of the transaction amounts to be incurred as a result of the continuing connected transaction contemplated under the Revised Management Agreement; and (ii) the actual management fees and performance fees payable by the Company to CMCIM in the coming three years shall be determined based on the pre-determined formula as elaborated above pursuant to the Revised Management Agreement. Consequently, we express no opinion as to how closely the actual transaction amounts of the continuing connected transaction correspond with the Proposed Annual Caps as discussed above.

### **(V) Requirement by the Listing Rules regarding the continuing connected transaction contemplated under the Revised Management Agreement**

As required by the Listing Rules, for each financial year of the Company over the term of the Revised Management Agreement, the continuing connected transaction contemplated under the Revised Management Agreement shall be subject to the annual review by the independent non-executive Directors and the Company's auditors as required by Rules 14A.37 and 14A.38 of the Listing Rules, respectively. In particular, each year, the independent non-executive Directors must confirm that the relevant continuing connected transaction has been entered into:

- in the ordinary and usual course of business of the Company;

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## LETTER FROM CIMB

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- either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether it is on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and
- in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Furthermore, each year, the Company's auditors must provide a letter to the Board confirming that the relevant continuing connected transaction:

- has received the approval of the Board;
- is in accordance with the pricing policies of the Company if the transaction involves provision of goods or services by the Company;
- has been entered into in accordance with the relevant agreement governing the transaction; and
- has not exceeded the cap disclosed in the previous announcement(s).

Given the above, we consider that there exist appropriate procedures and arrangements to ensure that the relevant continuing connected transaction will be conducted on terms pursuant to the Revised Management Agreement.

### RECOMMENDATION

Having considered the principal factors and reasons referred to in the above, in particular,

- the nature of the continuing connected transaction under the Revised Management Agreement;
- the remuneration basis stipulated in the Revised Management Agreement is fair and reasonable;
- the basis of the determination of the Proposed Annual Caps, which is mainly made by reference to the historical transaction amounts and the projected increase in net asset value of the Company, is fair and reasonable; and
- there exist appropriate procedures and arrangements to ensure that the investment and management services to be provided by CMCIM will be conducted on terms pursuant to the Revised Management Agreement,



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## LETTER FROM CIMB

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we are of the opinion that (i) the continuing connected transaction contemplated under the Revised Management Agreement is in the ordinary and usual course of business of the Group; (ii) the Revised Management Agreement is in the interests of the Group and the Shareholders as a whole; (iii) the terms of the Revised Management Agreement are on normal commercial terms and fair and reasonable so far as the Company and the Shareholders are concerned; and (iv) the Proposed Annual Caps are fair and reasonable so far as the Company and the Shareholders are concerned.

Therefore, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Revised Management Agreement and the continuing connected transaction contemplated thereunder and the Proposed Annual Caps.

Yours faithfully,

For and on behalf of

**CIMB Securities (HK) Limited**

**Heidi Cheng**

**Anthony Ng**

*Director*

*Senior Vice President*

## 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. 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 corporation(s) (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. CHU Lap Lik, Victor	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.

### 3. 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

Name of Substantial Shareholder	Long/Short Position	Capacity	Number of Ordinary Shares Interested	Approximate Percentage in the Company's Share Capital
China Merchants Group Limited ( <i>Note 3</i> )	Long	Interest of controlled corporation	35,859,760	24.04%
China Merchants Steam Navigation Company Limited ( <i>Note 3</i> )	Long	Interest of controlled corporation	35,859,760	24.04%
China Merchants Holdings (Hong Kong) Company Limited ( <i>Note 1</i> )	Long	Interest of controlled corporation	35,859,760	24.04%
China Merchants Finance Holdings Company Limited ( <i>Note 2</i> )	Long	Interest of controlled corporation	35,859,760	24.04%
China Merchants Financial Services Limited ( <i>Note 3</i> )	Long	Interest of controlled corporation	33,989,760	22.79%

Name of Substantial Shareholder	Long/Short Position	Capacity	Approximate Percentage	
			Number of Ordinary Shares Interested	in the Company's Share Capital
Good Image Limited	Long	Beneficial owner	33,989,760	22.79%
Lazard Asset Management LLC	Long	Investment Manager	30,079,300	20.17%
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.

**4. COMPETING INTERESTS**

Mr. CHU Lap Lik, Victor, executive Director of the Company and Ms. KAN Ka Yee, Elizabeth (being alternate to Mr. CHU Lap Lik, Victor), 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. Mr. WANG Qi, non-executive Director of the Company, is the founder and managing partner of the Development Principles Group (“DPG”) which provides fund management and investment advisory services focusing on structured private equity investments in the PRC, the business of which may compete either directly or indirectly with the business of the Group. As at the Latest Practicable Date, Mr. WANG is interested in 50% of the issued share capital of DPG. However, the Company is capable of carrying on its business independently of, and at arm’s length from, the businesses of First Eastern Investment Group and DPG. If conflict of interest arises on the part of Mr. CHU, Ms. KAN or Mr. WANG, as the case may be, Mr. CHU, Ms. KAN or Mr. WANG shall, pursuant to the articles of association of the Company, not vote or be counted in the quorum on the relevant resolution of the Board.

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

**5. 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).

**6. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2008, being the date to which the latest published audited financial statements of the Group were made up.

**7. 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.

**Existing Management Agreement**

CMCIM 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 CMCIM. Mr. CHU Lap Lik, Victor and Ms. KAN Ka Yee, Elizabeth (being alternate to Mr. CHU Lap Lik, Victor) have indirect beneficial interests in CMCIM. The Existing Management Agreement will expire on 14 July 2010 and its details are set out in the “Letter from the Board” of this circular.

#### **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, CMCIM, 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 CMCIM, and persons nominated by CMCIM (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 realization) 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 realization of the investment in the Target Company by the Company or upon CMCIM, 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 CMCIM.

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 the Shareholders 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 the Shareholders as a whole.

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

	<b>For Inbank Media US\$</b>	<b>For Guangzhou Digital US\$</b>	<b>For Wuhan Rixin US\$</b>
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 Existing 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.

## **8. EXPERT**

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

<b>Name</b>	<b>Qualifications</b>
CIMB	A corporate licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO

CIMB 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.

As at the Latest Practicable Date, CIMB did 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.

As at the Latest Practicable Date, CIMB did not have any direct or indirect interest in any assets which have been, since 31 December 2008 (being 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.

## **9. GENERAL**

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

## **10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the registered office of the Company at Room 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 Revised Management Agreement;
- (b) the Existing Management Agreement;
- (c) the written consent referred to under the section headed “Expert” in this Appendix;
- (d) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 13 to 14 of this circular; and
- (e) the letter issued by CIMB, the text of which is set out on pages 15 to 31 of this circular.



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## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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### CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED

招商局中國基金有限公司

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code : 133)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of China Merchants China Direct Investments Limited (the “**Company**”) will be held on Thursday, 25 March 2010, at Lavender Room, 27/F, The Park Lane Hotel Hong Kong, 310 Gloucester Road, Hong Kong at 3:00 p.m., to consider, and, if thought fit, pass the following resolution (with or without modifications) as an ordinary resolution of the Company:

#### ORDINARY RESOLUTION

**“THAT:**

- (a) the Revised Management Agreement as defined and described in the circular of the Company dated 10 March 2010 of which this resolution forms part (the “**Circular**”) (a copy of each of the Revised Management Agreement and the Circular having been produced at the meeting and marked “A” and “B” respectively and each initialed by the chairman of the meeting for the purpose of identification) and the transaction contemplated thereunder be and is hereby approved, ratified and confirmed;
- (b) the proposed annual caps, as described in the Circular, for the fees payable under the Revised Management Agreement be and are hereby approved; and
- (c) that the directors of the Company be and are hereby authorized for and on behalf of the Company to execute all such documents and agreements and do such acts or things as they may in their discretion consider to be necessary, desirable or expedient to implement and/or give effect to the terms of the Revised Management Agreement.”

By Order of the Board

**ZHOU Linda Lei**

*Director*

Hong Kong, 10 March 2010

*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.

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## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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- (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 eleven 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; two are Non-executive Directors, namely Mr. KE Shifeng and Mr. WANG Qi; and four are Independent Non-executive Directors, namely Mr. KUT Ying Hay, Mr. WANG Jincheng, Mr. LI Kai Cheong, Samson and Mr. LIU Baojie. In addition, Ms. KAN Ka Yee, Elizabeth is the Alternate Director to Mr. CHU Lap Lik, Victor.