THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED

招商局中國基金有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code : 133)

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

A letter from the board of directors of China Merchants China Direct Investments Limited (the "**Company**") is set out on pages 5 to 15 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 3:00 p.m. on Monday, 13 December 2010 (the "**EGM**") is set out on pages 52 to 53 of this circular. Whether or not you are able to attend and/or vote at the EGM in person, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return it to the registered office of the Company at 1803, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form shall not preclude you from subsequently attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

Hong Kong, 26 November 2010

CONTENTS

Page

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

"2009 Disposal Mandates"	the disposal mandates granted to the Directors by the Shareholders at the extraordinary general meeting of the Company held on 14 December 2009 to dispose of up to 130,170,102 CMB A Shares and 47,900,000 IBC A Shares held by the Group for a period of 12 months from the passing of the relevant resolutions, details of which were set out in the announcement of the Company dated 9 November 2009 and the circular of the Company dated 27 November 2009
"Board"	board of Directors
"CBRC"	China Banking Regulatory Commission
"CMB"	招商銀行股份有限公司(China Merchants Bank Co., Ltd.), a joint-stock commercial bank approved by the CBRC in the PRC with limited liability, whose A and H shares are listed on the SSE and the Stock Exchange respectively
"CMB A Rights Issue"	the rights issue of CMB A Shares on the basis of 1.3 CMB A Rights Shares for every 10 existing CMB A Shares as referred to in the announcement of the Company dated 17 March 2010
"CMB A Rights Shares"	the new CMB A Shares allotted and issued pursuant to the CMB A Rights Issue
"CMB A Shares"	PRC-listed domestic shares of par value of RMB1.00 each in the registered capital of CMB
"CMB Disposal Mandate"	the disposal mandate proposed to be granted by the Shareholders to the Directors to dispose of the CMB Interests during the Mandate Period
"CMB Interests"	the 65,830,102 CMB A Shares held by the Company as at the Latest Practicable Date which are freely tradable on the SSE, representing the entire interest held by the Group in CMB
"CMB Waiver"	the waiver granted by the Stock Exchange from strict compliance with Listing Rule 21.04(3)(b) in relation to the subscription for the CMB A Rights Shares allotted and issued to the Company pursuant to the CMB A Rights Issue as disclosed in the announcement of the Company dated 21 October 2009

"CMB Waiver Conditions"	the conditions imposed by the Stock Exchange on the CMB Waiver, details of which were set out in the announcement of the Company dated 21 October 2009 and the circular of the Company dated 27 November 2009
"Company"	China Merchants China Direct Investments Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Directors"	the directors of the Company
"Disposal Announcement"	the announcement of the Company dated 8 November 2010 in relation to the Proposed Disposals
"Disposal Mandates"	the CMB Disposal Mandate and IBC Disposal Mandate
"EGM"	the extraordinary general meeting proposed to be convened by the Company to consider and, if thought fit, to approve the grant of mandates for the Proposed Disposals
"Group"	the Company, its subsidiaries, jointly controlled entities and associated companies
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"IBC"	興業銀行股份有限公司 (Industrial Bank Co., Ltd.), a joint-stock commercial bank approved by the CBRC in the PRC with limited liability, whose A shares are listed on the SSE
"IBC A Rights Issue"	the rights issue of IBC A Shares on the basis of 2 IBC A Rights Shares for every 10 existing IBC A Shares as referred to in the circular of the Company dated 20 April 2010
"IBC A Rights Shares"	the new IBC A Shares allotted and issued pursuant to the IBC A Rights Issue
"IBC A Shares"	PRC-listed domestic shares of par value of RMB1.00 each in the registered capital of IBC
"IBC Disposal Mandate"	the disposal mandate proposed to be granted by the Shareholders to the Directors to dispose of the IBC Interests during the Mandate Period

"IBC Interests"	the 49,680,000 IBC A Shares held by the Company as at the Latest Practicable Date which are freely tradable on the SSE, representing the entire interest held by the Group in IBC
"IBC Waiver"	the waiver granted by the Stock Exchange from strict compliance with Listing Rule 21.04(3)(b) in relation to the subscription of the IBC A Rights Shares allotted and issued to the Company pursuant to the IBC A Rights Issue as disclosed in the announcement of the Company dated 12 April 2010
"IBC Waiver Conditions"	the conditions imposed by the Stock Exchange on the IBC Waiver, details of which were set out in the announcement of the Company dated 12 April 2010 and the circular of the Company dated 20 April 2010
"Investment Manager"	China Merchants China Investment Management Limited, a fund management company incorporated in Hong Kong with limited liability and registered under the Securities & Futures Ordinance of Hong Kong
"Latest Practicable Date"	22 November 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
"Mandate Period"	twelve calendar months from the passing of the relevant resolution(s) at the EGM
"PRC"	The People's Republic of China
"Proposed CMB Disposal"	the proposed disposal of the CMB Interests by the Group pursuant to the CMB Disposal Mandate
"Proposed Disposals"	the Proposed CMB Disposal and Proposed IBC Disposal
"Proposed IBC Disposal"	the proposed disposal of the IBC Interests by the Group pursuant to the IBC Disposal Mandate
"Remaining Group"	the Group excluding its investments in the CMB Interests or the IBC Interests
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	share(s) of US$0.10 each in the share capital of the Company

"Shareholders"	shareholders of the Company
"SSE"	Shanghai Stock Exchange
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US$"	United States dollars, the lawful currency of United States of America
"%"	per cent

For illustrative purposes in this circular only, RMB1 = HK$1.1581, US$1 = HK$7.7609 and US$1 = RMB6.7011

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)

Non-executive Director:
Mr. KE Shifeng

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

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

26 November 2010

To the Shareholders

Dear Sir or Madam,

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

1. INTRODUCTION

Reference is made to the Disposal Announcement in relation to the Proposed Disposals. The purpose of this circular is to provide you with further details of, and other disclosures in connection with, the Proposed Disposals required under the Listing Rules, including the financial information of the CMB Interests and IBC Interests required under Rule 14.68(2) of the Listing Rules, together with the notice of the EGM for approving the Proposed Disposals and other information required by the Listing Rules.

2. THE PROPOSED DISPOSALS

The Company obtained the 2009 Disposal Mandates from the Shareholders to dispose of up to 130,170,102 CMB A Shares and 47,900,000 IBC A Shares held by the Group for a period of 12 months from the passing of the relevant resolutions at the extraordinary general meeting of the Company held on 14 December 2009. Details of the 2009 Disposal Mandates were set out in the announcement of the Company dated 9 November 2009 and the circular of the Company dated 27 November 2009. As at the Latest Practicable Date, 59,340,000 CMB A Shares and 5,600,000 IBC A Shares had been disposed of under the 2009 Disposal Mandates.

As at the Latest Practicable Date, 65,830,102 CMB A Shares and 49,680,000 IBC A Shares were held by the Company. It has been the known policy of the Company to dispose of the CMB Interests and IBC Interests held by the Group in a gradual manner. In view of the imminent expiry of the 2009 Disposal Mandates on 13 December 2010, the Board proposes to seek the approval of the Shareholders to grant fresh mandates to the Board to dispose of the CMB Interests and IBC Interests at the EGM for another 12 months from the date of the EGM.

(A) THE PROPOSED CMB DISPOSAL

The CMB Interests

As at the Latest Practicable Date, the Company beneficially owned a total of 65,830,102 CMB A Shares, which are listed and freely tradable on the SSE, representing approximately 0.31% interest in the issued share capital of CMB based on publicly available information.

The Board proposes to seek the approval of the Shareholders to grant a disposal mandate to the Directors to dispose of the CMB Interests during the Mandate Period. The CMB Interests, comprising the 65,830,102 CMB A Shares held by the Company as at the Latest Practicable Date, represent the entire interest held by the Group in CMB. As at the Latest Practicable Date, the Group did not have any discussion with any party to dispose of the CMB Interests. Nevertheless, the Board is of the view that it would be in the best interests of the Shareholders and the Company for the Directors to have flexibility in disposing of the CMB Interests.

Terms of the CMB Disposal Mandate

After the expiry of the 2009 Disposal Mandates, if the Group proceeds with the Proposed CMB Disposal and on the assumption that all CMB A Shares held by the Group are to be disposed of, the Proposed CMB Disposal may constitute a very substantial disposal of the Company under Chapter 14 of the Listing Rules and require compliance with the announcement, circular and shareholders' approval requirements under the Listing Rules. The Company proposes to seek the CMB Disposal Mandate for the Proposed CMB Disposal at the EGM on the following terms:

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

2. the selling price of the CMB A Shares will be the market price of the CMB A Shares at the relevant times, where market price refers to the price allowed under the trading system of the SSE, but will not be less than RMB6.10 (equivalent to approximately HK$7.06) per CMB A Share; and

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

The minimum selling price of RMB6.10 was determined on the basis of the 2009 audited net asset value per share of CMB and the valuation of the CMB A Shares with reference to the price-to-book ratio of PRC and international banks listed either in Hong Kong or the United States of America. Based on such valuation, the Directors consider that the minimum selling price will allow flexibility for the Directors to accommodate fluctuation in market conditions in the exercise of the CMB Disposal Mandate and at the same time reflect the lowest acceptable price to dispose of the CMB Interests, and is thus fair and reasonable as far as the Company and the Shareholders are concerned.

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

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

Information About CMB

According to the 2009 annual report of CMB and publicly available information, CMB has over 770 branches and offices throughout the PRC. Its A shares were first listed on the SSE in 2002 and its H shares were listed on the Stock Exchange in 2006. As of 31 December 2009, CMB had a registered capital of RMB19,119 million, which was increased to RMB21,577 million immediately following the completion of the rights issue on 9 April 2010. From publicly available information, the Company understands that the main business activities of CMB include: taking deposits from the public; granting short, medium and long-term loans; handling settlements; handling bills discounting; issuing financial bonds; acting as agent for the issue and encashment of, underwriting and trading government bonds; engaging in inter-bank lendings and borrowings; providing letters of credit and guarantees services; engaging in agency collections and payments as well as insurance agency business; providing safe deposit box services; taking foreign currency deposits; granting foreign currency loans; providing remittances services; providing foreign exchange services; providing international settlements services; engaging in foreign currency placements; providing foreign currency bills acceptances and discounting services; trading and trading as agent for foreign currency quoted securities except stocks; issuing and issuing as agent for foreign currency quoted securities except stocks; engaging in proprietary trading and trading on behalf of clients in FX; providing credit investigations, advisory and attestation services; engaging in offshore banking business; engaging in credit card business; providing custodial services for securities investment funds, Qualified Foreign Institutional Investors (QFII), corporate annuity funds (including account management services) and Social Security Funds; underwriting short-term commercial papers; trading derivative products; and other businesses approved by the CBRC.

The following sets out a summary of financial information of CMB for the two years ended 31 December 2009 which were prepared under the PRC accounting standards:

	For the year ended 31 December			
	2009		**2008**	
	(RMB million) (audited)	*HK$ million equivalent*	*(RMB million) (audited)*	*HK$ million equivalent*
Profit before taxation	22,384	25,923	26,759	30,990
Profit after taxation	18,235	21,118	20,946	24,258
Net asset value	92,783	107,452	79,515	92,086

As at 31 December 2009, the audited consolidated net asset value of CMB amounted to approximately RMB92,783 million (equivalent to approximately HK$107,452 million). The Group held a 0.58% and 0.79% interest of CMB at the financial year end of 2009 and 2008 respectively. The audited net asset value attributable to the CMB A Shares held by the Group was approximately RMB538 million (equivalent to approximately HK$623 million) as at 31 December 2009. Dividend income received by the Group from CMB amounted to approximately US$1.37 million (equivalent to approximately HK$10.63 million) in 2009 and approximately US$4.93 million (equivalent to approximately HK$38.26 million) in 2008. The change in fair value on CMB attributable to the Group amounted to gain of approximately US$144.75 million (equivalent to approximately HK$1,123.39 million) in 2009 and loss of approximately US$403.22 million (equivalent to approximately HK$3,129.35 million) in 2008 respectively.

Based on the carrying amount of the CMB Interests held by the Company as at 31 December 2009 which was US$118.07 million (equivalent to approximately HK$916.33 million) and the minimum selling price of RMB6.10 (equivalent to approximately HK$7.06), the expected realized accounting loss on the disposal of the CMB Interests is US$77.29 million (equivalent to approximately HK$599.84 million).

After the 2009 Disposal Mandates were granted and as at 31 December 2009, the Company held 110,770,002 CMB A Shares. Pursuant to the CMB Waiver granted to the Company, the Company was required to, among other things, within 6 months from the completion of the CMB A Rights Issue, dispose of CMB A Shares to the extent that its interest in CMB A Shares would not exceed 20% of the Company's net asset value. 14,400,100 CMB A Rights Shares were allotted to the Company pursuant to the CMB A Rights Issue in March 2010. Between March 2010 and September 2010, 59,340,000 CMB A Shares were disposed by the Company to fulfill the aforesaid condition. As a result, as at the Latest Practicable Date, the Company owned 65,830,102 CMB A Shares, representing the entire interest held by the Group in CMB.

As at the Latest Practicable Date, the CMB Interests accounted for approximately 19.04% of the Company's net asset value based on the Company's unaudited consolidated accounts as at 31 October 2010.

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

The highest and lowest closing price of CMB A Shares as quoted on the SSE in the 12 months immediately before the Latest Practicable Date was RMB18.99 and RMB12.52 (equivalent to approximately HK$21.99 and HK$14.50) respectively.

(B) THE PROPOSED IBC DISPOSAL

The IBC Interests

As at the Latest Practicable Date, the Company beneficially owned a total of 49,680,000 IBC A Shares, which are listed and freely tradable on the SSE, representing approximately 0.83% interest in the issued share capital of IBC based on publicly available information.

The Board proposes to seek the approval of the Shareholders to grant a disposal mandate to the Directors to dispose of the IBC Interests during the Mandate Period. The IBC Interests, comprising the 49,680,000 IBC A Shares held by the Company as at the Latest Practicable Date, represent the entire interest held by the Group in IBC. As at the Latest Practicable Date, the Group presently did not have any discussion with any party to dispose of the IBC Interests. Nonetheless, the Board is of the view that, given the IBC Waiver Conditions as described below, it would be in the best interests of the Shareholders and the Company for the Directors to have flexibility in disposing of the IBC Interests.

On 8 December 2009, IBC obtained its shareholders' approval for the IBC A Rights Issue. On 5 May 2010, the Company obtained approval by the Shareholders to subscribe for the IBC A Rights Shares. On 26 May 2010, the Company subscribed for 8,280,000 IBC A Rights Shares to which it was entitled under the IBC A Rights Issue in full.

The Company has applied for, and the Stock Exchange has granted the IBC Waiver on the IBC Waiver Conditions. Details of the IBC Waiver and the IBC Waiver Conditions were set out in the announcement of the Company dated 12 April 2010 and the circular of the Company dated 20 April 2010. As part of the IBC Waiver Conditions, the Company is required, among other things, to dispose of the IBC A Shares by the end of June 2011 (as the IBC A Rights Issue was completed in 2010) such that its IBC Interests no longer exceed 20% the Company's net asset value.

Terms of the IBC Disposal Mandate

After the expiry of the 2009 Disposal Mandates, if the Group proceeds with the Proposed IBC Disposal and on the assumption that all IBC A Shares held by the Group are to be disposed of, the Proposed IBC Disposal may constitute a very substantial disposal of the Company under Chapter 14 of the Listing Rules and require compliance with the announcement, circular and shareholders' approval requirements under the Listing Rules. The Company proposes to seek the IBC Disposal Mandate for the Proposed IBC Disposal at the EGM on the following terms:

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

2. the selling price of the IBC A Shares will be the market price of the IBC A Shares at the relevant times, where market price refers to the price allowed under the trading system of the SSE, but will not be less than RMB14.80 (equivalent to approximately HK$17.14) per IBC A Share; and

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

The minimum selling price of RMB14.80 was determined on the basis of the 2009 audited net asset value per share of IBC and the valuation of the IBC A Shares with reference to the price-to-book ratio of PRC and international banks listed either in Hong Kong or the United States of America. Based on such valuation, the Directors consider that the minimum selling price will allow flexibility for the Directors to accommodate fluctuation in market conditions in the exercise of the IBC Disposal Mandate and at the same time reflect the lowest acceptable price to dispose of the IBC Interests, and is thus fair and reasonable as far as the Company and the Shareholders are concerned.

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

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

Information about IBC

According to the 2009 annual report of IBC and publicly available information, IBC has over 530 branches and offices throughout the PRC. As of 31 December 2009, IBC had a registered capital of RMB5,000 million, which was increased to RMB5,992 million immediately following the completion of the rights issue on 8 June 2010. From publicly available information, the Company understands that the main business activities of IBC include: taking deposits from the public; granting short, medium and long-term loans; handling domestic and international settlements; handling bills and notes acceptances and discounting; issuing financial bonds; acting as agent for the issue and encashment of and underwriting government bonds; trading government bonds and financial bonds; acting as agent for the issue of quoted securities other than stocks, trading quoted securities other than stocks, either on its own behalf or on behalf of clients; asset custody business; engaging in inter-bank lendings and borrowings; trading foreign currencies, either on its own behalf or on behalf of clients; providing foreign exchange services; engaging in credit card business; providing letters of credit and guarantees services; engaging in agency collections and payments as well as insurance agency business; providing safe deposit box services; providing financial consultancy, credit investigations, advisory and attestation services; and other businesses approved by the CBRC.

The following sets out a summary of financial information of IBC for the two years ended 31 December 2009 which were prepared under the PRC accounting standards:

	For the year ended 31 December			
	2009		**2008**	
	(RMB million) (audited)	*HK$ million equivalent*	*(RMB million) (audited)*	*HK$ million equivalent*
Profit before taxation	17,229	19,953	14,037	16,256
Profit after taxation	13,282	15,382	11,385	13,185
Net asset value	59,597	69,019	49,022	56,772

As at 31 December 2009, the audited consolidated net asset value of IBC amounted to approximately RMB59,597 million (equivalent to approximately HK$69,019 million). The Group held a 0.94% and 1.30% interest of IBC at the financial year end of 2009 and 2008 respectively. The audited net asset value attributable to the IBC A Shares held by the Group was approximately RMB560 million (equivalent to approximately HK$649 million) as at 31 December 2009. Dividend income received by the Group from IBC amounted to approximately US$3.42 million (equivalent to approximately HK$26.54 million) in 2009 and US$3.81 million (equivalent to approximately HK$29.57 million) in 2008. The change in fair value on IBC attributable to the Group amounted to gain of approximately US$176.67 million (equivalent to approximately HK$1,371.12 million) in 2009 and loss of approximately US$317.85 million (equivalent to approximately HK$2,466.80 million) in 2008 respectively.

Based on the carrying amount of the IBC Interests as at 31 December 2009 (excluding the 8,280,000 IBC A Rights Shares subsequently allotted to the Company) which was US$244.22 million (equivalent to approximately HK$1,895.37 million) and the minimum selling price of RMB14.80 (equivalent to approximately HK$17.14), the expected realized accounting loss on the disposal of the IBC Interests (including the 8,280,000 IBC A Rights Shares allotted to the Company) is US$156.70 million (equivalent to approximately HK$1,216.13 million).

After the 2009 Disposal Mandates were granted and as at 31 December 2009, the Company held 47,000,000 IBC A Shares. Pursuant to the IBC Waiver granted to the Company, the Company was required, among other things, to (i) dispose of a minimum of 4,000,000 IBC A Shares and the proceeds of which would be treated as a reserve funding for the IBC A Rights Issue and (ii) by the end of June 2011 or within 6 months from the completion of the IBC A Rights Issue, the Company would further dispose of IBC A Shares to the extent that its interest in IBC A Shares will not exceed 20% of the Company's net asset value. In fulfilling such conditions, by May 2010, the Company had disposed of 5,600,000 IBC A Shares and the proceeds of which was used to subscribe for 8,280,000 IBC A Rights Shares in June 2010. As at the Latest Practicable Date, the Company owned 49,680,000 IBC A Shares and it is still in the progress of disposing the remaining IBC A Shares as required under the aforesaid conditions.

As at the Latest Practicable Date, the IBC Interests accounted for approximately 28.90% of the Company's net asset value based on the Company's unaudited consolidated accounts as at 31 October 2010.

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

The highest and lowest closing price of IBC A Shares as quoted on the SSE in the 12 months immediately before the Latest Practicable Date was RMB41.73 and RMB22.41 (equivalent to approximately HK$48.33 and HK$25.95) respectively.

(C) REASONS FOR AND BENEFITS OF THE PROPOSED DISPOSALS

As stated in the 2010 interim report of the Company, the Group continuously makes every effort to identify promising new potential investment projects, with an emphasis on investment opportunities in sectors of consumer goods (with particular focus on consumption projects in second- and third-tier cities), financial services, culture and media, pharmaceuticals, and energy and environmental protection. When appropriate, the Group will also seek to turn over investments in its portfolio in order to create greater shareholder value.

The proceeds from the Proposed Disposals will put the Group in a better and more flexible financial position to take advantage of current and future investment opportunities should they arise. Upon approval of the IBC Disposal Mandate by the Shareholders, the Company will prioritize its efforts to satisfy the IBC Waiver Conditions to dispose of the IBC A Shares by the end of June 2011 such that its IBC Interests no longer exceed 20% the Company's net asset value within the stipulated time frame, while taking into account general market conditions, progress of making new investments and performance of CMB A Shares, IBC A Shares and other investements of the Company.

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

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

(D) FINANCIAL EFFECTS OF THE PROPOSED DISPOSALS

As described in the section headed "The Proposed Disposals" in this letter, the expected realized accounting loss on the disposal of the CMB Interests and IBC Interests (including the 8,280,000 IBC A Rights Shares allotted to the Company) are approximately US$77.29 million (equivalent to approximately HK$599.84 million) and approximately US$156.70 million (equivalent to approximately HK$1,216.13 million) respectively.

Based on the unaudited pro forma financial information of the Remaining Group in respect of the Proposed CMB Disposal and Proposed IBC Disposal, for the six months ended 30 June 2010 as set out in Appendix II to this circular, the loss attributable to the owners of the Company on the disposal of the CMB Interests and IBC Interests would be approximately US$60.10 million (equivalent to approximately HK$466.43 million) and approximately US$18.25 million (equivalent to approximately HK$141.64 million) respectively assuming that the Proposed Disposals had taken place on 1 January 2010. As shown in such unaudited pro forma financial information of the Remaining Group, as a result of the Proposed Disposals, (i) as for the disposal of the CMB Interests, the total assets of the Group would remain unchanged and the total liabilities of the Group would increase by approximately 1.09% and (ii) as for the disposal of the IBC Interests, the total assets of the Group would remain unchanged and the total liabilities of the Group would increase by approximately 1.35%. Accordingly, the Board believes that the Proposed Disposals would not have any material adverse effects on the total assets and total liabilities of the Group.

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

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

(E) IMPLICATIONS UNDER THE LISTING RULES

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

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

3. EXTRAORDINARY GENERAL MEETING

Set out on pages 52 to 53 of this circular is a notice convening the EGM to be held at JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong, Hong Kong on Monday, 13 December 2010 at 3:00 p.m. at which resolutions will be proposed to the Shareholders to consider and, if thought fit, approve the Proposed Disposals, which shall be voted by way of poll.

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

4. 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.

5. GENERAL INFORMATION

The Company is an investment company, the Shares of which are listed on the Main Board of the Stock Exchange. The Company specializes in investing in the PRC. Its investment objective is to acquire quality investments, principally in unlisted enterprises, in the PRC. The Company may also invest in China-concept shares, "H" shares, "B" shares and any shares listed in the Stock Exchange provided that the main businesses or incomes of such companies are derived from the PRC including Hong Kong.

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

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

6. RECOMMENDATION

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

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

By Order of the Board
ZHOU Linda Lei
Director

UNAUDITED FINANCIAL INFORMATION ON THE CMB INTERESTS

The following unaudited financial information of the CMB Interests has been prepared by the Group based on information shown in the underlying books and records of the Group for the three years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2010.

	Year ended 31 December			Six months ended 30 June
	2007	**2008**	**2009**	**2010**
	US$	*US$*	*US$*	*US$*
Gains/(loss) recognised in the statements of comprehensive income in relation to the CMB Interests:				
Dividend income	707,199	1,896,216	555,550	2,026,462
Gains/(loss) arising from change in the fair value of the CMB Interests	151,131,005	(154,937,371)	58,559,347	(38,102,269)
Deferred taxation	(44,915,736)	38,734,306	(14,603,593)	9,525,567
Carrying amount recognised in the statements of financial position in relation to the CMB Interests	222,050,253	79,664,696	118,066,764	125,923,372

UNAUDITED FINANCIAL INFORMATION ON THE IBC INTERESTS

The following unaudited financial information of the IBC Interests has been prepared by the Group based on information shown in the underlying books and records of the Group for the three years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2010.

	Year ended 31 December			Six months ended 30 June
	2007	**2008**	**2009**	**2010**
	US$	*US$*	*US$*	*US$*
Gains/(loss) recognised in the statements of comprehensive income in relation to the IBC Interests:				
Dividend income	1,412,747	2,437,047	3,016,216	3,177,853
Gains/(loss) arising from change in the fair value of the IBC Interests	243,550,748	(203,068,057)	155,620,416	(98,652,633)
Deferred taxation	(44,739,747)	35,019,452	(42,806,302)	24,663,717
Carrying amount recognised in the statements of financial position in relation to the IBC Interests	276,083,125	88,438,240	244,221,317	168,406,780

For the accounting policies in relation to the CMB Interests and IBC Interests, please refer to "Notes to the Financial Statements" in the annual reports of the Company for the financial years 2007, 2008 and 2009 and in the interim report of the Company for the six months ended 30 June 2010 as published on the websites of the Company (www.cmcdi.com.hk) and the Stock Exchange (www.hkexnews.hk).

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

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The unaudited pro forma financial information of the Remaining Group comprises an unaudited pro forma consolidated net assets statement as at 30 June 2010 and an unaudited pro forma consolidated statement of comprehensive income for the six months ended 30 June 2010 and the accompanying notes (collectively referred to as the "**Pro Forma Financial Information**").

For illustrative purposes only, the Pro Forma Financial Information prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules is set out below to illustrate the effect of the Proposed Disposals on the consolidated net assets of the Group as at 30 June 2010 as if the Proposed Disposals had taken place on 30 June 2010 and the consolidated statement of comprehensive income of the Group for the six months ended 30 June 2010 as if the Proposed Disposals had taken place on 1 January 2010.

The Pro Forma Financial Information has been prepared based on the unaudited consolidated financial statements of the Group for the six months ended 30 June 2010, after making pro forma adjustments relating to the Proposed Disposals that are directly attributable to the Proposed Disposals and are factually supportable.

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

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

	The Group as at 30 June 2010	**Pro forma adjustments**	**The Pro forma Remaining Group**
	Note (i)	*Note (ii)*	
	US$	*US$*	*US$*
Non-current assets			
Interest in associates	20,863,641		20,863,641
Financial assets at fair value through profit or loss	212,037,119		212,037,119
Available-for-sale financial assets	721,072		721,072
	233,621,832		233,621,832
Current assets			
Financial assets at fair value through profit or loss	407,838,906	(125,923,372)	281,915,534
Other receivables	19,043,124		19,043,124
Bank balances and cash	41,918,233	125,923,372	167,841,605
	468,800,263		468,800,263
Current liabilities			
Other payables	79,542,395	5,486,209	85,028,604
Dividend payable	14,914,560		14,914,560
Taxation payable	8,627,923	24,139,319	32,767,242
	103,084,878		132,710,406
Net current assets	365,715,385		336,089,857
Total assets less current liabilities	599,337,217		569,711,689
Non-current liabilities			
Financial liabilities at fair value through profit or loss	608,112		608,112
Deferred taxation	96,941,192	(27,431,044)	69,510,148
	97,549,304		70,118,260
NET ASSETS	501,787,913		499,593,429

	The Group as at 30 June 2010	Pro forma adjustments	The Pro forma Remaining Group
	Note (i)	*Note (ii)*	
	US$	*US$*	*US$*
CAPITAL AND RESERVES			
Share capital	14,914,560		14,914,560
Reserves	486,873,353	(2,194,484)	484,678,869
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	501,787,913		499,593,429
NET ASSET VALUE PER SHARE	3.364		3.350

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

	The Group for the six months ended 30 June 2010	Pro forma adjustments	The Pro forma Remaining Group
	Note (iii)	*Note (iv)*	
	US$	*US$*	*US$*
Change in fair value of financial assets at fair value through profit or loss	(123,777,685)	38,102,269	(85,675,416)
Investment income	12,281,011	(2,026,462)	10,254,549
Other income	167,267		167,267
Administrative expenses	(14,967,866)	(5,661,227)	(20,629,093)
Share of results of associates	3,114,507		3,114,507
Loss before taxation	(123,182,766)		(92,768,186)
Taxation	38,796,440	(6,128,831)	32,667,609
Loss attributable to owners of the Company	(84,386,326)		(60,100,577)
Basic loss per share	(0.566)		(0.403)

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

(i) The amounts are based on the unaudited consolidated statement of financial position of the Group as at 30 June 2010, which is extracted from the interim report of the Company for the six months ended 30 June 2010.

(ii) The adjustments represent the disposal of the CMB Interests in cash. The CMB Interests were assumed to be sold at a total consideration of US$125,923,372 (representing the fair value (the quoted market closing bid price) of the CMB Interests as of 30 June 2010). The previously recognised non-current deferred tax liability of US$27,431,044, which was calculated based on the fair value of the CMB Interests at the Enterprise Income Tax rate of 25%, was reversed to the consolidated statement of comprehensive income and a current tax liability of US$24,139,319 was provided in the consolidated statement of comprehensive income based on the estimated realised taxable gain on the disposal of the CMB Interests at the Enterprise Income Tax rate of 22%. A business tax liability of US$5,486,209 was provided in the consolidated statement of comprehensive income based on the estimated realised taxable gain on the disposal of the CMB Interests at the Business Tax rate of 5% and classified as other payables in the consolidated net assets statement. The difference between the previously recognised non-current deferred tax liability and current tax liability was recognised in the consolidated statement of comprehensive income.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "**New Tax Law**") by Order No. 63 of the President of the PRC. The State Council of the PRC issued Implementation Regulations of the New Tax Law and the Notification of the State Council on Carrying out the Transitional Preferential Policies concerning Enterprise Income Tax (Guo Fa [2007] No. 39) on 6 December 2007 and 26 December 2007 respectively. Accordingly, the applicable Enterprise Income Tax rate, which is 22% in 2010, will be gradually increased to 25% in 2012. Therefore, the actual tax liability may be different from the amounts shown in the unaudited Pro Forma Financial Information.

(iii) The amounts are based on the unaudited consolidated statement of comprehensive income of the Group for the six months ended 30 June 2010, which is extracted from the interim report of the Company for the six months ended 30 June 2010.

(iv) The adjustments represent:

(a) the exclusion of loss on fair value changes on investment in the CMB Interests of US$38,102,269 assuming the CMB Interests were disposed of on 1 January 2010 at a total consideration of US$118,066,764 (representing the fair value (the quoted market closing bid price) of the CMB Interests as of 31 December 2009);

(b) the reversal of (1) dividend income and deferred tax credit at the amount of US$2,026,462 and US$9,525,567 respectively, for the six months ended 30 June 2010 in relation to the CMB Interests; and (2) difference of US$3,396,736 between the previously recognised non-current deferred tax liability as at 1 January 2010 at the Enterprise Income Tax rate of 25% and current tax liability at the Enterprise Income Tax rate of 22%, as if the Proposed CMB Disposal were completed on 1 January 2010; and

(c) the provision of business tax liability of US$5,661,227 at the Business Tax rate of 5% on the estimated realised taxable gain on the disposal of the CMB Interests.

(v) Since the actual amounts of consideration to be received from the Proposed CMB Disposal may be substantially different from the amounts used in the preparation of the Pro Forma Financial Information, the actual gain/loss and cash received from the Proposed CMB Disposal may be different from those amounts shown in the unaudited Pro Forma Financial Information.

(vi) No pro forma adjustment on management fee is included as the Board considered the effect of management fee of the Proposed CMB Disposal would have no material impact on the unaudited Pro Forma Financial Information of the Remaining Group.

(vii) The pro forma adjustments mentioned above, except for the cease of dividend income, will not have any continuing effect on the Remaining Group.

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

	The Group as at 30 June 2010	Pro forma adjustments	The Pro forma Remaining Group
	Note (i)	*Note (ii)*	
	US$	*US$*	*US$*
Non-current assets			
Interest in associates	20,863,641		20,863,641
Financial assets at fair value through profit or loss	212,037,119		212,037,119
Available-for-sale financial assets	721,072		721,072
	233,621,832		233,621,832
Current assets			
Financial assets at fair value through profit or loss	407,838,906	(168,406,780)	239,432,126
Other receivables	19,043,124		19,043,124
Bank balances and cash	41,918,233	168,406,780	210,325,013
	468,800,263		468,800,263
Current liabilities			
Other payables	79,542,395	6,794,708	86,337,103
Dividend payable	14,914,560		14,914,560
Taxation payable	8,627,923	29,896,714	38,524,637
	103,084,878		139,776,300
Net current assets	365,715,385		329,023,963
Total assets less current liabilities	599,337,217		562,645,795
Non-current liabilities			
Financial liabilities at fair value through profit or loss	608,112		608,112
Deferred taxation	96,941,192	(33,973,538)	62,967,654
	97,549,304		63,575,766
NET ASSETS	501,787,913		499,070,029

	The Group as at 30 June 2010	Pro forma adjustments	The Pro forma Remaining Group
	Note (i)	*Note (ii)*	
	US$	*US$*	*US$*
CAPITAL AND RESERVES			
Share capital	14,914,560		14,914,560
Reserves	486,873,353	(2,717,884)	484,155,469
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	501,787,913		499,070,029
NET ASSET VALUE PER SHARE	3.364		3.346

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

	The Group for the six months ended 30 June 2010	**Pro forma adjustments**	**The Pro forma Remaining Group**
	Note (iii)	*Note (iv)*	
	US$	*US$*	*US$*
Change in fair value of financial assets at fair value through profit or loss	(123,777,685)	98,652,633	(25,125,052)
Investment income	12,281,011	(3,177,853)	9,103,158
Other income	167,267		167,267
Administrative expenses	(14,967,866)	(11,685,671)	(26,653,537)
Share of results of associates	3,114,507		3,114,507
Loss before taxation	(123,182,766)		(39,393,657)
Taxation	38,796,440	(17,652,314)	21,144,126
Loss attributable to owners of the Company	(84,386,326)		(18,249,531)
Basic loss per share	(0.566)		(0.122)

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

(i) The amounts are based on the unaudited consolidated statement of financial position of the Group as at 30 June 2010, which is extracted from the interim report of the Company for the six months ended 30 June 2010.

(ii) The adjustments represent the disposal of the IBC Interests in cash. The IBC Interests were assumed to be sold at a total consideration of US$168,406,780 (representing the fair value (the quoted market closing bid price) of the IBC Interests as of 30 June 2010). The previously recognised non-current deferred tax liability of US$33,973,538, which was calculated based on the fair value of the IBC Interests at the Enterprise Income Tax rate of 25%, was reversed to the consolidated statement of comprehensive income and a current tax liability of US$29,896,714 was provided in the consolidated statement of comprehensive income based on the estimated realised taxable gain on the disposal of the IBC Interests at the Enterprise Income Tax rate of 22%. A business tax liability of US$6,794,708 was provided in the consolidated statement of comprehensive income based on the estimated realised taxable gain on the disposal of the IBC Interests at the Business Tax rate of 5% and classified as other payables in the consolidated net assets statement. The difference between the previously recognised non-current deferred tax liability and current tax liability was recognised in the consolidated statement of comprehensive income.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "**New Tax Law**") by Order No. 63 of the President of the PRC. The State Council of the PRC issued Implementation Regulations of the New Tax Law and the Notification of the State Council on Carrying out the Transitional Preferential Policies concerning Enterprise Income Tax (Guo Fa [2007] No. 39) on 6 December 2007 and 26 December 2007 respectively. Accordingly, the applicable Enterprise Income Tax rate, which is 22% in 2010, will be gradually increased to 25% in 2012. Therefore, the actual tax liability may be different from the amounts shown in the unaudited Pro Forma Financial Information.

(iii) The amounts are based on the unaudited consolidated statement of comprehensive income of the Group for the six months ended 30 June 2010, which is extracted from the interim report of the Company for the six months ended 30 June 2010.

(iv) The adjustments represent:

(a) the exclusion of loss on fair value changes on investment in the IBC Interests of US$98,652,633 assuming the IBC Interests were disposed of on 1 January 2010 at a total consideration of US$244,221,317 (representing the fair value (the quoted market closing bid price) of the IBC Interests as of 31 December 2009);

(b) the reversal of (1) dividend income and deferred tax credit at the amount of US$3,177,853 and US$24,663,717 respectively, for the six months ended 30 June 2010 in relation to the IBC Interests; and (2) difference of US$7,011,403 between the previously recognised non-current deferred tax liability as at 1 January 2010 at the Enterprise Income Tax rate of 25% and current tax liability at the Enterprise Income Tax rate of 22%, as if the Proposed IBC Disposal were completed on 1 January 2010; and

(c) the provision of business tax liability of US$11,685,671 at the Business Tax rate of 5% on the estimated realised taxable gain on the disposal of the IBC Interests.

(v) Since the actual amounts of consideration to be received from the Proposed IBC Disposal may be substantially different from the amounts used in the preparation of the Pro Forma Financial Information, the actual gain/loss and cash received from the Proposed IBC Disposal may be different from those amounts shown in the unaudited Pro Forma Financial Information.

(vi) No pro forma adjustment on management fee is included as the Board considered the effect of management fee of the Proposed IBC Disposal would have no material impact on the unaudited Pro Forma Financial Information of the Remaining Group.

(vii) The pro forma adjustments mentioned above, except for the cease of dividend income, will not have any continuing effect on the Remaining Group.

Set out below are the Letters from the auditor of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, on the unaudited Pro Forma Financial Information of the Remaining Group.

Deloitte.
德勤

德勤・關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

THE DIRECTORS
CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED

Dear Sirs,

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

We report on the unaudited pro forma financial information of China Merchants China Direct Investments Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the possible very substantial disposal of shares in China Merchants Bank Co., Ltd. might have affected the financial information presented, for inclusion in Appendix II of the circular dated 26 November 2010 (the "**Circular**"). The basis of preparation of the unaudited pro forma financial information is set out on page 18 of the Circular.

Respective responsibilities of directors of the Company and reporting accountants

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

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

Basis of opinion

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

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

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

- the financial position of the Group as at 30 June 2010 or any future date; or
- the results of the Group for the six months ended 30 June 2010 or any future period.

Opinion

In our opinion:

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

26 November 2010

Deloitte.
德勤

德勤・關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

THE DIRECTORS
CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED

Dear Sirs,

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

We report on the unaudited pro forma financial information of China Merchants China Direct Investments Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the possible very substantial disposal of shares in Industrial Bank Co., Ltd. might have affected the financial information presented, for inclusion in Appendix II of the circular dated 26 November 2010 (the "**Circular**"). The basis of preparation of the unaudited pro forma financial information is set out on page 18 of the Circular.

Respective responsibilities of directors of the Company and reporting accountants

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

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

Basis of opinion

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

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

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

- the financial position of the Group as at 30 June 2010 or any future date; or
- the results of the Group for the six months ended 30 June 2010 or any future period.

Opinion

In our opinion:

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

26 November 2010

The information in this appendix in respect of the additional information on the Remaining Group was based on the financial statements set out in the interim report of the Company for the six months ended 30 June 2010.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL COMMITMENTS

The Remaining Group's cash on hand decreased by 68%, from US$129.60 million at the end of last year to US$41.92 million as of 30 June 2010, due primarily to capital investments made during the period.

As of 30 June 2010, the Remaining Group had no outstanding bank loans (31 December 2009: Nil).

As of 30 June 2010, the Remaining Group had a capital commitment of US$23.56 million (31 December 2009: US$35.17 million) for an investment that was approved, but not yet provided for in the financial statements, and for future scheduled installments related to the investment in China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership).

CAPITAL STRUCTURE OF THE REMAINING GROUP

The capital structure of the Remaining Group is equity attributable to the shareholders of the Company, comprising issued capital, reserves and retained profits as disclosed in the statement of changes in equity in the 2009 annual report of the Company. The capital structure of the Remaining Group remained unchanged throughout the six months ended 30 June 2010.

The treasury policy of the Remaining Group is to fund its operations by internal resources. As at 30 June 2010, (i) the Remaining Group had not incurred any borrowings to fund its operations, (ii) the Remaining Group held cash in HK$, RMB and US$, (iii) the Remaining Group had not used any financial instruments for hedging purposes and (iv) none of the net investments in foreign currency (in RMB and US$) are hedged by currency borrowings or other hedging instruments.

FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

For the first half of 2010, China's gross domestic product (GDP) saw year-on-year growth of 11.1%, and the recovery experienced in the second half of 2009 has continued for the Chinese economy as a whole. With a gradual reduction in economic stimulus, as well as the tightening policies (especially in the real estate market) set forth during the first half of 2010 by the Central Government, slower growth can be expected for the second half of 2010 in investment spending, consumer spending and exports, with moderate inflationary pressure. The Central Government will continue to focus on measures to contain inflation and to curb excess liquidity in the second half of the year, but no additional tightening policies are expected to be introduced in the second half of 2010. However, tighter credit, surging production costs and weaker export growth may cause corporate profitability to decline, which in turn could adversely affect the returns of the Remaining Group's projects. Nevertheless, the Remaining Group would be able to secure more direct investment opportunities as a result of tightening corporate funds due to the credit crunch.

The Remaining Group will continue to make every effort to identify promising new investment projects, while maintaining an emphasis on investment opportunities in consumer goods (with particular focus on consumption projects in second-and third-tier cities), financial services, culture and media, pharmaceuticals, and energy and environmental protection. When appropriate, the Remaining Group will also seek to turn over investments in its portfolio in order to create greater shareholder value.

SIGNIFICANT INVESTMENTS OF THE REMAINING GROUP

After a thorough exploration of new investment opportunities, the Remaining Group made capital investments in the financial services, culture and media, and manufacturing sectors during the period.

Inbank Media (China) Co., Ltd.

On 8 February 2010, the Remaining Group made an additional capital investment of US$4.39 million in Inbank Media (China) Co., Ltd. ("**Inbank Media**") and, at the same time, converted the convertible bonds already held by the Remaining Group into equity, thereby increasing the Remaining Group's interest in Inbank Media from 9.09% to 14.51%.

For details and latest development of Inbank Media, please see below section headed "Segment Information".

China Credit Trust Co., Ltd.

On 23 March 2010, the Remaining Group subscribed to a new equity issuance by China Credit Trust Co., Ltd. ("**CCT**") on a pro rata basis for a total consideration of US$35.18 million, in order to maintain the Remaining Group's original percentage interest in CCT.

For details and latest development of CCT, please see below section headed "Segment Information".

China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership)

On 29 April 2010, the Remaining Group entered into an agreement with China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership) ("**China Media Investment**") to make a capital investment of US$29.45 million by installments, collectively representing a 10% interest in the initial capitalisation of China Media Investment. The first installment of US$5.86 million was made on 1 June 2010.

For details and latest development of China Media Investment, please see below section headed "Segment Information".

China Media (Tianjin) Investment Management Co., Ltd.

Pursuant to a series of agreements, on 30 April 2010, a capital investment of US$0.68 million was made by the Remaining Group in China Media (Tianjin) Investment Management Co., Ltd. ("**China Media Management**") for a 7.70% enlarged equity interest in China Media Management.

For details and latest development of China Media Management, please see below section headed "Segment Information".

Shenzhen Geesun Automation Technology Co., Ltd.

On 12 May 2010, the Remaining Group made a capital investment of US$2.93 million in Shenzhen Geesun Automation Technology Co., Ltd. ("**Geesun Technology**") for a 15.38% enlarged equity interest in Geesun Technology, pursuant to an agreement dated 30 April 2010.

For details and latest development of Geesun Technology, please see below section headed "Segment Information".

Yangzhou Huaer Optoelectronic Material Co., Ltd.

On 15 September 2010, the Remaining Group made a capital investment of US$ 2.23 million in Yangzhou Huaer Optoelectronic Material Co., Ltd. ("**Huaer Optoelectronic**") for a 7.50% enlarged equity interest in Huaer Optoelectronic.

Huaer Optoelectronic is principally engaged in the R&D and production of high purity silica crucibles, and is a China's manufacturer producing silica crucibles with rather comprehensive specifications and having scale production capability for 28-inch silica crucibles.

The Company understands that Huaer Optoelectronic is in the process of converting it into a company limited by shares and plans to make an application to list its shares on the A-share market in 2013.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

The Remaining Group had not undertaken any material acquisition or disposal of subsidiaries or associated companies in the course of the current financial year from 1 January 2010 up to the Latest Practicable Date.

SEGMENT INFORMATION

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

Name of projects		Location of headquarters	Business nature	Listed (Stock Exchange)/ unlisted	Book value (US$ million)	Percentage of total assets %
Financial Services:						
1.	China Merchants Bank Co., Ltd.	Shenzhen, Guangdong	Banking	Shanghai Stock Exchange	240	34.09
2.	Industrial Bank Co., Ltd.	Fuzhou, Fujian	Banking	Shanghai Stock Exchange	168	23.98
3.	China Credit Trust Co., Ltd.	Beijing	Trust management	Unlisted	113	16.13
4.	Morgan Stanley Huaxin Fund Management Co., Ltd.	Shenzhen, Guangdong	Fund management	Unlisted	2	0.25
5.	China Media (Tianjin) Investment Management Co., Ltd.	Tianjin	Fund management	Unlisted	1	0.10
				Sub-total:	524	74.55
Culture and Media:						
6.	NBA China L.P.	Beijing	Sports marketing	Unlisted	28	4.00
7.	Inbank Media (China) Co., Ltd.	Beijing	Indoor media	Unlisted	15	2.13
8.	Guangzhou Digital Media Group Ltd.	Guangzhou, Guangdong	Cable television & broadband access	Unlisted	42	6.05
9.	China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership)	Shanghai	Media Investment	Unlisted	6	0.84
				Sub-total:	91	13.02
Manufacturing:						
10.	Shandong Jinbao Electronics Co., Ltd.	Zhaoyuan, Shandong	Copper foil & laminates	Unlisted	20	2.78
11.	Shenzhen Geesun Automation Technology Co., Ltd.	Shenzhen, Guangdong	Production equipment for lithium ion batteries	Unlisted	3	0.42
				Sub-total:	23	3.20
Others:						
(i)	***Energy & Resources:***					
12.	Wuhan Rixin Technology Co., Ltd.	Wuhan, Hubei	Solar energy	Unlisted	2	0.26
(ii)	***Real Estate:***					
13.	Langfang Oriential Education Facilities Development Co., Ltd.	Langfang, Hebei	Student dormitary	Unlisted	1	0.19
14.	Shenzhen Mankam Square	Shenzhen, Guangdong	Retail shops	Unlisted	—	—
15.	China Merchants Plaza (Shanghai) Property Co., Ltd.	Shanghai	Office & commercial	Unlisted	—	—
(iii)	***Investment:***					
16.	Shenzhen Jutian Investment Co., Ltd.	Shenzhen, Guangdong	Investment	Unlisted	—	—
				Sub-total:	3	0.45
				Total:	641	91.22

China Merchants Bank Co., Ltd. ("CMB") is China's first joint-stock commercial bank, with shares listed on the Shanghai Stock Exchange since 2002 and on the Hong Kong Stock Exchange since 2006. In addition to its network of over 770 branches and offices across China, CMB also owns 100% of Wing Lung Bank in Hong Kong and has established a branch and a representative office in New York, the United States, and a representative office in London, the United Kingdom. CMB has become one of the top 100 banks worldwide.

On 8 March 2010, the Company subscribed to 14.40 million A shares of CMB at RMB8.85 per share under the CMB A Rights Issue, for a total consideration of RMB127.44 million (equivalent to US$18.67 million), as approved by shareholders of the Company on 14 December 2009. As at the end of the reporting period, the Company held 125.17 million A shares of CMB, representing an equity interest of 0.58%, and with an investment cost of RMB209.17 million (equivalent to US$27.19 million). The book value of the Company's holding in CMB was US$239.43 million. In July 2010, the Company received a cash dividend from CMB of RMB26.29 million for 2009.

In early April 2010, CMB successfully completed its rights issue of A shares and H shares, and raised a net proceeds of RMB21.6 billion in new capital.

During the first half of 2010, the Company made no disposal of any A shares of CMB.

Pursuant to the CMB Waiver granted to the Company, the Company was required to, among other things, within 6 months from the completion of the CMB A Rights Issue, dispose of CMB A Shares to the extent that its investment in CMB would not exceed 20% of the Company's net asset value. Within the timeframe as required under the CMB Waiver Conditions, 59.34 million CMB A Shares were disposed by the Company to fulfill the aforesaid condition. The net proceeds arising from the disposal amounted to RMB803.34 million.

Industrial Bank Co., Ltd. ("IBC") is a joint-stock commercial bank incorporated in the PRC, with shares listed on the Shanghai Stock Exchange since 2007. IBC has a network of over 530 branches and offices across China, and has become one of the top 100 banks worldwide.

On 26 May 2010, the Company subscribed to 8.28 million A shares of IBC at RMB18 per share under the IBC A Rights Issue, for a total consideration of RMB149.04 million (equivalent to US$21.83 million), as approved by shareholders of the Company on 5 May 2010. As at the end of the reporting period, the Company held 49.68 million A shares of IBC, representing an equity interest of 0.83%, and with an investment cost of RMB220.79 million (equivalent to US$28.61 million). The book value of the Company's holding in IBC was US$168.41 million. In April 2010, the Company received a cash dividend from IBC of RMB21.68 million for 2009.

In early June 2010, IBC successfully completed its rights issue of A shares, and raised a net proceeds of RMB17.7 billion in new capital.

During the first half of 2010, the Company disposed of a total of 5.60 million A shares of IBC, and the net proceeds amounted to RMB152.82 million.

Pursuant to the IBC Waiver granted to the Company, the Company will complete a sell-down of its shares in IBC by no later than 30 June 2011, such that its investment in IBC will not exceed 20% of the Company's net asset value.

China Credit Trust Co., Ltd. ("CCT") was established in 1995. The principal activities of CCT are trust management, fund management, investments and loan financing. The Remaining Group invested US$15.31 million in CCT in 2005, and holds a 6.82% stake. In August 2010, the Remaining Group received a cash dividend from CCT of US$2.17 million for 2009.

For the first half of 2010, CCT recorded an unaudited net profit of RMB161 million, representing an increase of 28% over the same period last year. Net interest income for the first half of 2010 was RMB89 million, representing an increase of 332% over the same period last year, due primarily to the fact that certain past-due interest could not be recognised in the same period last year. Net fees and commissions income (derived primarily from the trust management business) was RMB141 million, representing an increase of 74% over the same period last year. And investment income and gains from change in the fair value of investments amounted to RMB52 million, representing a decrease of 50% from the same period last year. Earlier this year, the CBRC has started to impose stricter regulatory control over trust products in co-operation with banks, real estate trusts, and structural trust businesses that could constrain the growth of CCT. Moreover, in the face of sluggish performance of the securities market during the first half of the year, CCT has curtailed to a large extent its proprietary securities investment.

Facing the increasing competition in the industry, CCT is now actively exploring expansion into new markets outside Beijing by establishing regional headquarters in Shanghai and Shenzhen that will allow CCT to gradually extend its business network to all major cities throughout China, and to strengthening its sales channels (such as banks) so as to enhance its marketing capabilities.

On 23 March 2010, the Remaining Group subscribed to a new CCT capital increase on a pro rata basis, for a total consideration of RMB240 million (equivalent to US$35.18 million). The capital increase had been approved by the regulatory authorities in October 2010.

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

For the first half of 2010, Morgan Stanley Fund reported an unaudited net profit of RMB7.04 million, compared with a loss of RMB6.08 million for the same period last year. Although, during the first half of the year, Morgan Stanley Fund reported non-operating income of RMB5.63 million from the sale of property, as well as a 226% year-on-year increase in management fees income due to its growth in assets under management, a net loss is expected for the full year as certain marketing expenses related to the introduction of new funds will be recognised in the year after verification of account with the sales channels.

Assets managed by Morgan Stanley Fund recorded a significant increase of 190% to RMB9.46 billion as of the end of June 2010, up from RMB3.26 billion at the end of last year. Furthermore, Morgan Stanley Fund was able to demonstrate its strong growth in spite of challenging business conditions that included a decline of 27% in the SSE Composite Index for the first half of 2010, as well as a reduction in assets under management across the fund sector. Besides, among the assets managed by Morgan Stanley Fund, the Morgan Stanley Huaxin Leading Advantage Equity Securities Investment Fund, which was set up in September 2009, grew to RMB4.19 billion at the end of June 2010 from RMB650 million as at the end of 2009, in large part because of its outstanding performance within its peer group of funds. Morgan Stanley Fund also launched a new fund in May 2010—the Morgan Stanley Huaxin Premier Growth Equity Securities Investment Fund—with initial capital raised of RMB2.26 billion. As of 30 June 2010, Morgan Stanley Fund managed a total of six funds, including four equity funds, one bond fund and one money market fund.

Morgan Stanley Fund is still at a development stage, and additional investments will be required to enhance its IT systems infrastructure and to enable the launch of new funds. Despite the fact that a loss is expected for 2010, the introduction of new funds and a greater scale of assets under management are expected to provide a solid foundation for long-term growth.

China Media (Tianjin) Investment Management Co., Ltd. ("China Media Management") is a company established in Tianjin with limited liability. As the general partner and investment manager of China Media Investment, China Media Management is responsible for defining and executing the investment strategy for China Media Investment, as well as for managing their business operations.

On 30 April 2010, the Remaining Group made a capital investment of RMB4.62 million (equivalent to US$0.68 million) for a 7.70% enlarged equity interest in China Media Management.

At present, China Media Management is actively researching investment opportunities for China Media Investment and is expected to make two to three investments by the end of the year.

NBA China, L.P. ("NBA China") is a limited liability partnership entity incorporated in the Cayman Islands in 2007. The Remaining Group invested US$23 million in 2008, for a 1% preferred equity stake in NBA China. Other strategic investors hold the remaining 10% of the preferred equity in NBA China. NBA China has exclusive rights to operate the NBA's businesses in the Greater China Region, including television broadcasting rights, advertising, sponsorship, events, digital media, and merchandising, among other new businesses. The Remaining Group received a cash distribution from NBA China of US$0.16 million in March 2010.

At present, NBA China derives most of its revenue from television broadcasting and advertising, sponsorship and digital media—of which television broadcasting and advertising comprises the largest source of total revenues, as this business segment has achieved significant scale due to long-time development, and is expected to maintain steady growth. NBA China welcomed two new partners during the year, namely Visa and Simcere, and sponsorship business is expected to sustain faster growth in the near term.

In May 2010, NBA China opened a NBA store at the Shanghai World Expo Culture Centre, which is the eighth NBA store established in China, as well as the first NBA store built with the new NBA's global retail design. NBA China is now recruiting additional staff to accelerate expansion of the NBA store business. Furthermore, NBA China also cooperates with Boshiwa, a well-known children's clothing retailer in China, to promote the NBA brand in that market.

Inbank Media (China) Co., Ltd. ("Inbank Media") was established in Beijing in June 2007 to engage in commercial advertising through its video display network located in banking service outlets in China.

The Remaining Group invested RMB45 million (equivalent to US$6.59 million) in June 2009 and invested another RMB30 million (equivalent to US$4.39 million) in February 2010, for a cumulative investment of RMB75 million (equivalent to US$10.98 million). The Remaining Group also exercised its conversion right on the convertible bonds that it already held in February 2010 and, as a result, the Remaining Group currently holds a 14.51% equity interest in Inbank Media.

As a new media entity, Inbank Media reported its first quarterly profit in the fourth quarter of 2009 and has remained profitable during the first half of 2010. Inbank Media has now become the largest advertising operator in China's banking service outlet sector, with more than 3,000 devices in its video display network in three major cities (namely Beijing, Shanghai and Guangzhou) as well as in ten other cities (including Qingdao, Shenzhen, Nanjing, Chengdu and Suzhou). To consolidate its industry-leading position, Inbank Media will continue to explore opportunities in expanding network and to strengthen its own advertising sales team.

Guangzhou Digital Media Group Ltd. ("Guangzhou Digital") was established in Guangzhou, Guangdong in 1993 to engage in the operation of cable television transmission and internet broadband access. The Remaining Group invested RMB210 million (equivalent to US$30.74 million) in August 2009 to acquire a 21% equity interest in Guangzhou Digital. In June 2010, the Remaining Group received a cash dividend from Guangzhou Digital of RMB16.38 million for 2009.

For the first half of 2010, Guangzhou Digital recorded an unaudited operating income of RMB306 million, representing an increase of 22% over the same period last year, and an unaudited net profit of RMB36.67 million, representing an increase of 33% over the same period last year. The growth in net profit was mainly due to an increase in broadband users as well as to an increase in transmission fees received from satellite television stations. At the same time, the company's staff has remained stable, and growth in expenses has been far lower than the growth in revenues.

During the past two years, Guangzhou Digital has been making tremendous efforts in terms of both technical infrastructure and market research in preparation for the formal launch of a new HD interactive TV business in Guangzhou in June 2010. It is expected that new HDTV users with high ARPU will exceed 30,000 by the end of 2010.

China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership) (“China Media Investment”) is a limited liability partnership entity incorporated in Shanghai, and is the first fund in the culture and media sector approved by the National Development and Reform Commission for registration. Total capital of RMB5 billion is expected to be raised, of which the initial capitalisation amounts to RMB2 billion. Major promoters of and contributors to China Media Investment include Shanghai Dongfang Huijin Culture Industry Investment Co., Ltd., China Development Bank Capital Corporation Ltd., Shanghai Dazhong Capital Investment Co., Ltd. and Wenhui Xinmin United Press Group—all of whom are dominant players in the financial investment and/or culture and media sectors. China Media Investment has an investment horizon of 10 years, and is engaged in the acquisition, restructuring and direct investments in the culture and media sector. The scope of investments will include major projects in broadcasting and media, publishing, animation and creative media, both in China and overseas. China Media Management is the general partner and investment manager of China Media Investment.

On 29 April 2010, the Remaining Group agreed to make a capital investment of RMB200 million (equivalent to US$29.45 million) by installments in China Media Investment, representing a 10% interest in its initial capitalisation. The first installment of RMB40 million (equivalent to US$5.86 million) was made by the Remaining Group on 1 June 2010.

China Media Investment and News Corporation had signed an agreement, pursuant to which China Media Investment will acquire a controlling stake in News Corporation’s Xing Kong, Xing Kong International, Channel [V] Mainland China along with its Fortune Star Chinese movie library. This cooperation marks the first step for both parties to develop the business as an international media operator and investor.

It is expected that one to two more investment projects will be completed by China Media Investment during the year.

Shandong Jinbao Electronics Co., Ltd. (“Jinbao”) was established in Zhaoyuan, Shandong in 1993 to engage in the production and sale of copper-foil and laminate. The Remaining Group’s cumulative investment in Jinbao is US$7.85 million, representing an equity interest of 30%.

For the first half of 2010, Jinbao reported faster growth in both sales and net profit compared to the same period last year, due primarily to the sharp reduction in sales precipitated by the global economic crisis in early 2009, followed by a rebound in late 2009 that has continued to gain strength in 2010.

Shenzhen Geesun Automation Technology Co., Ltd. (“Geesun Technology”) was established in Shenzhen, Guangdong in 2006 and is a leading and professional manufacturer of equipment and automated production lines for lithium ion batteries and super capacitors in China. On 12 May 2010, the Remaining Group made a capital investment of RMB20 million (equivalent to US$2.93 million) in Geesun Technology and holds a 15.38% enlarged equity interest in Geesun Technology.

For the first half of 2010, Geesun Technology reported substantial growth in both sales and net profit compared to the same period last year. The company benefited from a sharp increase in investment in the domestic power battery industry, driven by vigorous governmental support for a new energy policy in China. Geesun Technology, therefore, performed well during the first half of the year.

Wuhan Rixin Technology Co., Ltd. ("Wuhan Rixin") was incorporated in Wuhan, Hubei in 2001, and is a government-sponsored technology company engaged in the design, production and installation of solar modules and Building Integrated Photovoltaic (BIPV) products, as well as in the operation, maintenance and management of solar-powered electric systems. The Remaining Group invested RMB15 million (equivalent to US$2.20 million) in July 2009 and holds a 5% equity interest in Wuhan Rixin.

With the support provided under the finalised subsidy policies promulgated by the Ministry of Finance and the Ministry of Housing and Urban-Rural Development of the PRC in April 2009, Wuhan Rixin sees favorable developments across all business segments and reported faster than expected growth in both operating income and net profit. Progress has been made in the successful operation of the solar-powered electric systems at Wuhan Rixin Industrial Park Demonstration Power Plant (identified by the Ministry of Science and Technology). Following the completion of the PV power station project for Wuhan-Guangzhou Speed Railway at the new Wuhan Railway Station, Wuhan Rixin has further secured a number of new PV power station projects, including the Wuhan International Convention & Exhibition Centre, Liangzi Lake Scenic Area, etc. that can provide a solid foundation for sustainable growth.

Langfang Oriental Education Facilities Development Co., Ltd. ("Oriental") is a Sino-foreign cooperative joint venture established in Langfang, Hebei. The total project cost is US$20 million, with a 20-year contract term. In 2002, the Remaining Group invested US$5 million for an equity interest of 25% in Oriental.

An agreement has been reached between the Remaining Group, Oriental and another shareholder on the conclusion of the Remaining Group's participation in Oriental, pursuant to which the Remaining Group shall receive a concluded amount of RMB12.66 million, and the said amount had been received in late July 2010. The pre-tax internal rate of return of the Remaining Group's investment in Oriental amounts to 7.3%. The above-mentioned parties have also confirmed that, pursuant to the articles of association of Oriental, as from 1 January 2010, the Remaining Group shall no longer share in gains or losses from Oriental, and upon cessation of Oriental, the Remaining Group shall not be entitled to any proceeds from asset disposition.

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

China Merchants Plaza (Shanghai) Property Co., Ltd. ("China Merchants Plaza") was incorporated in Shanghai in 1994 to engage in the development of a commercial and business complex. The Remaining Group invested US$5.685 million in 1994 and holds an effective equity interest of 19.8% in China Merchants Plaza. The commercial complex is a 28-storey office/retail building located at North Chengdu Road, Jingan District, Shanghai, with a total saleable area of 60,217 square metres, of which 49,438 square metres (net of the area sold) remain available for leasing. The Remaining Group made a full provision for this investment in 2000 due to the substantial leverage, high financing costs and significant accumulated losses of China Merchants Plaza.

For the period from January to May 2010, China Merchants Plaza recorded an unaudited net profit of RMB6.65 million, representing an increase of 20% over the same period last year, due mainly to the marked effectiveness of the company's cost control measures, resulting in a year-on-year decrease in selling, management and financial expenses.

Shenzhen Jutian Investment Co., Ltd. ("Jutian Investment"). In 2001, the Remaining Group invested RMB35.36 million (equivalent to US$4.27 million) in Jutian Investment, representing an equity interest of 4.66%. The Remaining Group made a full provision for this investment in 2005. Jutian Investment is fully committed to recovering outstanding debts, as well as to settling taxation issues and remaining litigation. The Remaining Group is actively seeking an opportunity to exit the investment.

EMPLOYEES

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

CHARGES ON GROUP ASSETS

As at 30 June 2010, there were no charges on any assets of the Remaining Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed above under the heading "Significant Investments of the Remaining Group", as at 30 June 2010, the Remaining Group did not draw up any definitive future plans relating to material investments or capital assets.

GEARING RATIO

As at 30 June 2010, the Remaining Group had not incurred any debt or borrowings.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

Most of the Remaining Group's investments are located in China where the official currency is the RMB. The conversion rate of RMB against US$ recorded a slight increase of 0.55% in the first half of 2010, which had a positive impact on the Remaining Group since it holds a considerable amount of assets denominated in RMB.

CONTINGENT LIABILITIES

As at 30 June 2010, the Remaining Group did not have any material contingent liabilities.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. STATEMENT OF INDEBTEDNESS

At the close of business on 31 October 2010, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Circular, apart from the intra-group liabilities, the Group did not have any outstanding borrowings, mortgages, charges, debentures, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, finance leases, or hire-purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits or any guarantees or other material contingent liabilities.

3. SUFFICIENCY OF WORKING CAPITAL

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

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

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

Long position in the ordinary shares in the Company

Name of Director	Capacity	Number of shares held	Percentage of total issued share capital as at the Latest Practicable Date
Mr. Victor Lap-Lik CHU	Interest of controlled corporation	3,224,000	2.16%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO which were required, (i) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to the Model Code of the Listing Rules to be notified to the Company and the Stock Exchange.

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

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

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

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

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

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

As at the Latest Practicable Date, so far as is known to the Directors and chief executives of the Company, the persons (other than Directors or chief executives of the Company) who had 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 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 were as follows:

Long and short positions in the shares, underlying shares and debentures of the Company

Shareholder	Long/ Short position	Capacity	Number of ordinary shares interested	Approximate percentage in the Company's share capital
Substantial shareholders:				
China Merchants Group Limited *(Note 3)*	Long	Interest of controlled corporation	35,859,760	24.04%
China Merchants Steam Navigation Company Limited *(Note 3)*	Long	Interest of controlled corporation	35,859,760	24.04%
China Merchants Holdings (Hong Kong) Company Limited *(Note 1)*	Long	Interest of controlled corporation	35,859,760	24.04%
China Merchants Finance Holdings Company Limited *(Note 2)*	Long	Interest of controlled corporation	35,859,760	24.04%
China Merchants Financial Services Limited *(Note 3)*	Long	Interest of controlled corporation	33,989,760	22.79%
Good Image Limited	Long	Beneficial owner	33,989,760	22.79%
Lazard Asset Management LLC	Long	Investment manager	31,233,100	20.94%
UBS AG	Long	Beneficial owner Security interest	72,603 13,236,192	8.92%
Kuchanny Christopher Philip Charles *(Note 4)*	Long	Interest of controlled corporation	10,440,191	7.00%
Osmium Capital Management Limited	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 the company whose name is set out immediately under it.

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

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

Note 4: Kuchanny Christopher Philip Charles is deemed to have corporate interests in the shares by virtue of its interest in the company whose name is set out immediately under it.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executives of the Company were not aware of any person (other than Directors or chief executives of the Company) who had any interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

6. COMPETING INTERESTS

Mr. CHU Lap Lik, Victor, executive Director 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. 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. If conflict of interest arises on the part of Mr. CHU or Ms. KAN, as the case may be, Mr. CHU or Ms. KAN shall, pursuant to the articles of association of the Company, not vote or be counted in the quorum on the relevant resolution of the Board.

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

7. DIRECTORS' SERVICE CONTRACTS

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

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

Investment Management Agreement

On 5 February 2010, the Company announced that it had on 5 February 2010 entered into an investment management agreement (the "**Revised Management Agreement**") with the Investment Manager in relation to the re-appointment of the Investment Manager as the investment manager of the Company for both listed and unlisted investments, immediately following the expiry of the investment management agreement, which was previously entered into between the parties on 15 July 1993, on 14 July 2010. Mr. HONG Xiaoyuan, Mr. CHU Lap Lik, Victor, Ms. ZHOU Linda Lei and Mr. TSE Yue Kit are directors of both the Company and the Investment Manager. Mr. CHU Lap Lik, Victor and Ms. KAN Ka Yee, Elizabeth have indirect beneficial interests in the Investment Manager.

Under the Revised Management Agreement, the appointment of the Investment Manager 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 the Investment Manager under the Revised Management Agreement shall be automatically renewed for further periods of three years after the expiry of each fixed term unless the appointment is terminated by the Board on six months' notice prior to the expiry of each term.

Co-investment Scheme (the "Scheme")

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

Pursuant to the Agreements, the Participants will receive a portion of the return (in the form of dividends, interest, or other distributions or proceeds from realisation) from the Company's investment in the project company that is proportional to the Participants' investments as a percentage of the total Company's investment in the project company. If the Company suffers a loss from its investment in the project company, the Participants will share in the loss on a pro rata basis. The Agreements will terminate upon either the realisation of the investment in the project company by the Company, or upon the Investment Manager, who provides a guarantee to the Participants for the performance of the Company's obligations under the Agreements, ceasing to be the investment manager of the Company. In the former case, the Participants shall receive a pro rata portion of the proceeds from disposal of the Company's interest in the project company. In the latter case, the Participants will receive a pro rata portion of the value of the equity interest in the project company, held by the Company as of 90 days prior to the termination date of the Agreements. The value of the equity interest in the project company will be assessed by an independent valuer, appointed jointly by the Company and the Investment Manager. In addition, the costs and expenses incurred in respect of the preparation and execution of the Agreements, the costs incidental to the implementation of the Scheme and the relevant portion of the identifiable costs related to the Company's investment in the project company will be borne by the Investment Manager. According to the Scheme, the aggregate investment amount contributed by the Participants in each of the Company's new investment projects shall not exceed 2% of the Company's investment in each project.

As of the Latest Practicable Date, details of aggregate co-investment amounts by the Participants and their relative proportion to the investment amounts by the Company were as follows:

Name of projects	**Original investment amount by the Company** *US$**	**Original co-investment amounts by the Participants** *US$**	**Relative proportion**
Inbank Media (1st round capital injection)	6,585,600	129,000	1.959%
Wuhan Rixin	2,195,500	43,900	2.000%
Guangzhou Digital	30,737,700	175,500	0.571%
Inbank Media (2nd round capital injection)	4,394,100	87,500	1.991%
China Media Management	676,100	4,500	0.666%
Geesun Technology	2,929,500	58,000	1.980%
China Media Investment (1st installment capital contribution)	5,858,300	38,800	0.662%
Huaer Optoelectronic	2,226,200	43,800	1.966%

* Calculated with prevalent exchange rates at the time of payment of co-investment amounts

In addition, as of the Latest Practicable Date, details of the Directors as well as a director of the Investment Manager participated in the Scheme were as follows:

Name of projects	Mr. HONG Xiaoyuan *(Note 1)* *US$**	Ms. ZHOU Linda Lei *(Note 2)* *US$**	Mr. TSE Yue Kit *(Note 3)* *US$**	Mr. WU Huifeng *(Note 4)* *US$**
Inbank Media (1st round capital injection)	12,900	12,900	1,290	12,900
Wuhan Rixin	3,510	4,390	1,290	3,510
Guangzhou Digital	12,900	25,810	1,290	12,900
Inbank Media (2nd round capital injection)	6,950	8,750	1,290	6,950
China Media Management	300	580	30	300
Geesun Technology	4,640	5,800	1,290	4,640
China Media Investment (1st installment capital contribution)	2,500	5,010	250	2,500
Huaer Optoelectronic	3,500	4,380	1,290	3,500

Note 1: Director and chairman of the Investment Manager

Note 2: Director and managing director of the Investment Manager

Note 3: Director and director of the Investment Manager

Note 4: Director of the Investment Manager

** Stated in original amount*

9. MATERIAL CONTRACTS

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

10. LITIGATION

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

11. MATERIAL ADVERSE CHANGE

As disclosed in the 2010 interim report of the Company, the Group recorded a consolidated loss of US$84.39 million for the six months ended 30 June 2010. The loss was mainly attributable to a significant decrease in the fair value of financial assets designated at fair value through profit or loss.

Save as disclosed aforesaid, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2009, the date to which the latest published audited accounts of the Company were made up.

12. EXPERT

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

Name	Qualifications
Deloitte Touche Tohmatsu	Certified Public Accountants

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

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

Deloitte Touche Tohmatsu does not have any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Company 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.

13. GENERAL

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

(b) The share registrar of the Company is Computershare Hong Kong Investor Services Ltd. at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

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

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

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

14. 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 memorandum and articles of association of the Company;

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

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

(d) the comfort letter from Deloitte Touche Tohmatsu on the unaudited financial information of the CMB Interests and IBC Interests as set out in Appendix I to this circular;

(e) the annual reports of the Company for each of the two years ended 31 December 2008 and 2009 and the interim report for the six months ended 30 June 2010; and

(f) the circular of the Company dated 10 March 2010 issued pursuant to the requirements set out in Chapters 14 and/or 14A.

CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED
招 商 局 中 國 基 金 有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock Code : 133)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of China Merchants China Direct Investments Limited (the "**Company**") will be held on Monday, 13 December 2010, at JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong, at 3:00 p.m., to consider, and, if thought fit, pass the following resolutions (with or without modifications) as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. **"THAT:**

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

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

(ii) the selling price of the CMB A Shares will be the market price of the CMB A Shares at the relevant times which refers to the price allowed under the trading system of the Shanghai Stock Exchange but shall not be less than RMB6.10 (equivalent to approximately HK$7.06) per CMB A Share

be and is hereby approved.

(b) the directors of the Company be and are hereby authorized to do all things, including but not limited to the execution of all documents, which the directors deem to be necessary or desirable to effect the foregoing or in connection with the CMB Disposal Mandate."

2. **"THAT:**

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

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

(ii) the selling price of the IBC A Shares will be the market price of the IBC A Shares at the relevant times which refers to the price allowed under the trading system of the Shanghai Stock Exchange but shall not be less than RMB14.80 (equivalent to approximately HK$17.14) per IBC A Share

be and is hereby approved.

(b) the directors of the Company be and are hereby authorized to do all things, including but not limited to the execution of all documents, which the directors deem to be necessary or desirable to effect the foregoing or in connection with the IBC Disposal Mandate."

By Order of the Board
ZHOU Linda Lei
Director

Hong Kong, 26 November 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.

(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 Executive Directors of the Company are Mr. LI Yinquan, Mr. HONG Xiaoyuan, Mr. CHU Lap Lik, Victor, Ms. ZHOU Linda Lei and Mr. TSE Yue Kit; the Non-executive Director is Mr. KE Shifeng; and the Independent Non-executive Directors are 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.