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

If you have sold or transferred all your shares in CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED 招商局中國基金有限公司, you should at once hand this circular, together with the enclosed proxy form, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED

招商局中國基金有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 133)

**MAJOR TRANSACTION –
DISPOSAL OF 21% EQUITY INTEREST IN
GUANGZHOU DIGITAL MEDIA GROUP LTD.**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening an extraordinary general meeting of the Company to be held at Taishan Room, Level 5, Island Shangri-La, Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong on Wednesday, 3 September 2014 at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend and/or vote at the extraordinary general meeting, you are advised to complete the accompanying 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 and in any event not less than 48 hours before the time appointed for holding the extraordinary general meeting or any adjournment thereof or, in the case of a poll taken more than 48 hours after it was demanded, not less than 24 hours before the time appointed for the taking of the poll. Completion and return of the proxy form shall not preclude you from subsequently attending and voting in person at the extraordinary general meeting or any adjourned meeting should you so wish.

18 August 2014

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DEFINITIONS

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

“Agreement”	the agreement for the sale and purchase of the Sale Interest entered into between Tian Zheng (as vendor) and the Purchaser (as purchaser) on 1 August 2014
“Announcement”	the announcement of the Company dated 1 August 2014 on the Disposal
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	China Merchants China Direct Investments Limited 招商局中國基金有限公司, 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
“Consideration”	RMB462,000,000, being the total consideration for the sale and purchase of the Sale Interest
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Interest by Tian Zheng to the Purchaser on and subject to the terms and conditions of the Agreement
“EGM”	the extraordinary general meeting of the Company to be convened and held on Wednesday, 3 September 2014 at 10:00 a.m. for the Shareholders to consider and, if thought fit, to approve the Agreement and the transaction contemplated thereunder
“Group”	the Company, its subsidiaries, jointly controlled entities and associated companies from time to time
“Guangzhou Digital”	廣州珠江數碼集團有限公司 (Guangzhou Digital Media Group Ltd.*), a company incorporated in the PRC with limited liability and owned as to 21% by Tian Zheng as at the date of the Agreement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Latest Practicable Date”	12 August 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Purchaser”	華豐達有線網絡控股有限公司 (China Entinet Cable Holdings Co., Ltd.*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of 湖南電廣傳媒股份有限公司 (Hunan TV & Broadcast Intermediary Co., Ltd.*) (the shares of which are listed on the Shenzhen Stock Exchange)
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	21% equity interest of Guangzhou Digital
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	share(s) of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Tian Zheng”	深圳市天正投資有限公司 (Shenzhen Tian Zheng Investment Co., Ltd.*), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

For illustrative purpose in this circular only, US\$1=RMB6.1528.

* For identification purposes only

LETTER FROM THE BOARD



CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED

招商局中國基金有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 133)

Executive Directors:

Mr. LI Yinquan (*Chairman*)

Mr. HONG Xiaoyuan

Mr. CHU Lap Lik, Victor

Ms. ZHOU Linda Lei

Mr. TSE Yue Kit

Ms. KAN Ka Yee, Elizabeth

(Alternate to Mr. CHU Lap Lik, Victor)

Registered office:

1803, China Merchants Tower

Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

Non-executive Director:

Mr. KE Shifeng

Independent Non-executive Directors:

Mr. LIU Baojie

Mr. XIE Tao

Mr. ZHU Li

Mr. TSANG Wah Kwong

18 August 2014

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION –
DISPOSAL OF 21% EQUITY INTEREST IN
GUANGZHOU DIGITAL MEDIA GROUP LTD.**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

The Group through Tian Zheng, an indirect wholly-owned subsidiary of the Company, has held a 21% equity interest in Guangzhou Digital since it made a capital injection into Guangzhou Digital in 2009.

LETTER FROM THE BOARD

Reference is made to the Announcement, whereby the Board announced that on 1 August 2014, Tian Zheng entered into the Agreement with the Purchaser, pursuant to which Tian Zheng agreed to sell and the Purchaser agreed to purchase the Sale Interest (being the 21% equity interest in Guangzhou Digital held by the Group) at a total consideration of RMB462,000,000 (equivalent to approximately US\$75,087,765), on and subject to the terms and conditions of the Agreement.

The purpose of this circular is to give you further details of the Disposal, information on Guangzhou Digital, other general information of the Company and the notice of the EGM at which an ordinary resolution will be proposed to consider and, if thought fit, approve the Agreement and the transaction contemplated thereunder.

THE AGREEMENT

Date

1 August 2014

Parties

Vendor : Tian Zheng, an indirect wholly-owned subsidiary of the Company

Purchaser : China Entinet Cable Holdings Co., Ltd.

To the best of the knowledge and belief of the Directors, having made all reasonable enquiries, the Purchaser, its holding company, Hunan TV & Broadcast Intermediary Co., Ltd. (the shares of which are listed on the Shenzhen Stock Exchange) and the largest shareholder of Hunan TV & Broadcast Intermediary Co., Ltd. are third parties independent of the Company and its connected persons.

Assets to be disposed of

The Sale Interest, being 21% equity interest in Guangzhou Digital.

The principal businesses of Guangzhou Digital are the provision of cable television transmission of programs for users in Guangzhou, the PRC, and the operation of broadband internet access, high-definition video on demand and other interactive services. Guangzhou Digital currently has nearly 1.4 million subscribers for various types of television programs and around 200,000 users for broadband internet services.

The benchmark date in respect of the transfer of the Sale Interest is 30 September 2013 (the “**Benchmark Date**”). As part of the Disposal, the Purchaser shall be entitled to all the shareholders’ interest comprised in the Sale Interest from the Benchmark Date. After completion of the Disposal, the Purchaser will be entitled to the profits of Guangzhou Digital distributed and those profits declared but not yet distributed which are attributable to the Sale Interest as from the Benchmark Date (including the dividend of Guangzhou Digital approved at its general meeting held in March 2014). In this regard, the dividend for the year 2013 distributed by Guangzhou Digital attributable to the Sale Interest amounting to RMB10,389,053 shall belong to the Purchaser after completion of the Disposal.

LETTER FROM THE BOARD

Financial information of Guangzhou Digital

Set out below is the audited financial information of Guangzhou Digital for the two financial years ended 31 December 2012 and 31 December 2013:–

	For the year ended	
	31 December	
	2012	2013
	(audited)	(audited)
	<i>RMB</i>	<i>RMB</i>
	<i>million</i>	<i>million</i>
Profit before tax	104.03	112.43
Profit after tax	102.71	111.53

As at 31 December 2013, the audited consolidated net asset value attributable to owners of Guangzhou Digital was approximately RMB522.93 million.

The carrying value of the Sale Interest in the audited consolidated financial statements of the Group as at 31 December 2013 amounted to approximately US\$57.90 million.

Financial Effects of the Disposal

It is expected that a gain of approximately RMB108,970,000 (equivalent to approximately US\$17,710,636, after taking into account the exchange difference on translation of approximately US\$522,871) will accrue to the Group in the current financial year upon completion, which is determined based on the difference between the Consideration and the carrying value of the Sale Interest held by the Group as at 31 December 2013. The net proceeds from the Disposal will be used by the Group on potential investment opportunities in the future. The Group is currently considering a number of potential investment opportunities, among which the Group is specifically considering certain investment projects in the PRC, including pre-school investment projects, cultural tourism projects and clean energy projects in major cities in the PRC, where the total investment will amount to approximately RMB500 million and all of which are equity investments.

As the Sale Interest is regarded as a current asset of the Group and the disposal of the Sale Interest will turn such current asset into cash, it is therefore considered that the Disposal would not have any material adverse effects on the total assets and total liabilities of the Group.

Assuming the Sale Interest was disposed of on 30 June 2014 for a total consideration of RMB462,000,000 (equivalent to approximately US\$75,087,765), the Group's earnings (after taxation) for the six months ended 30 June 2014 would have increased by approximately US\$13,282,977.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Sale Interest accounted for approximately 14.26% of the Company's net asset value based on the Company's unaudited consolidated accounts for the six months ended 30 June 2014.

Consideration

The Consideration payable by the Purchaser to Tian Zheng for the Sale Interest is RMB462,000,000 (equivalent to approximately US\$75,087,765) and shall be satisfied in the following manner:-

- (a) the first installment of RMB231,000,000 shall be paid by the Purchaser within 15 working days from the effective date of the Agreement;
- (b) the remaining balance of RMB231,000,000 shall be paid by the Purchaser within 15 working days from the date of the completion of registration by the Guangzhou Administration of Industry and Commerce of the transfer of the Sale Interest pursuant to the Agreement (which shall be handled within 40 working days from the date of payment under (a) above).

In the event that the Purchaser fails to make payment of the Consideration in accordance with the above, the Purchaser will be subject to a daily default interest of 0.05% on the outstanding Consideration for each day of the delay.

The Consideration was determined after arm's length negotiations between the parties to the Agreement on normal commercial terms, with reference to the audited consolidated net asset value as at 31 December 2013 and the profit after tax for the year ended 31 December 2013 of Guangzhou Digital and the price-earnings ratio of approximately 20 times, being the average price-earnings ratios (after liquidity discount) of approximately 20 times as at 31 December 2013 and of approximately 20 times as at 31 March 2014 of some other A shares listed companies in the same industry of cable television transmission for users and/or the operation of broadband access in the PRC with their market capitalization below RMB10 billion and without illiquid shares.

Conditions precedent

The taking effect of the Agreement is conditional upon satisfaction of the following conditions:-

- a. the passing of an ordinary resolution by the Shareholders at the EGM to approve the Agreement and the transaction contemplated thereunder; and
- b. the approval of the Agreement by the board of directors of Hunan TV & Broadcast Intermediary Co., Ltd., the holding company of the Purchaser.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE DISPOSAL

As an investment company, the strategy of the Group is to continue to make every effort to identify new investment projects, while maintaining an emphasis on investment opportunities in industries such as consumer goods (with particular focus on consumer-oriented projects in second and third tier cities), culture and media, advanced manufacturing, non-traditional financial services, energy, agriculture, medical and pharmaceutical, etc. The Group will also seek to optimize its mix of investments to endeavor to create greater shareholder value. The Directors believe that the Disposal is in line with the aforesaid investment strategy of the Group.

As the Company understands that there is no definite timetable for listing of Guangzhou Digital in the PRC and Tian Zheng has invested in Guangzhou Digital since 2009, the Board is of the view that it is an appropriate time to withdraw the Group's investment in Guangzhou Digital so as to earn a considerable investment return and to focus on other investment projects and opportunities.

LISTING RULES IMPLICATIONS

As the consideration ratio calculated in accordance with Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Agreement is more than 25% but is less than 75%, the Disposal constitutes a major transaction of the Company and is subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL INFORMATION

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

The Purchaser is a wholly-owned subsidiary of Hunan TV & Broadcast Intermediary Co., Ltd. and is principally engaged in the operation and development of cable television network.

LETTER FROM THE BOARD

EXTRAORDINARY GENERAL MEETING

The EGM will be held for considering and, if thought fit, passing an ordinary resolution to approve the Agreement and the transaction contemplated thereunder. A notice convening the EGM to be held at Taishan Room, Level 5, Island Shangri-La, Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong on Wednesday, 3 September 2014 at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular.

As at the Latest Practicable Date, to the best of the knowledge and belief of the Directors, having made all reasonable enquiries, no Shareholder had a material interest in the transaction contemplated under the Agreement such that he or it shall abstain from voting at the EGM on the ordinary resolution to approve the Agreement and the transaction contemplated thereunder.

The Disposal is subject to the fulfillment of certain conditions precedent, hence the Disposal may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

ACTION TO BE TAKEN

A form of proxy for use by the Shareholders at the EGM is enclosed herewith. Whether or not you propose to attend the EGM, you are requested to complete the accompanying 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 and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof or, in the case of a poll taken more than 48 hours after it was demanded, not less than 24 hours before the time appointed for the taking of the poll. Completion and return of the proxy form shall not preclude you from subsequently attending and voting in person at the EGM or any adjourned meeting should you so wish.

RECOMMENDATION

The Board considers that the Agreement is on normal commercial terms, and its terms are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favor of the resolution as set out in the notice of the EGM.

ADDITIONAL INFORMATION

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

By Order of the Board
TSE Yue Kit
Director

1. FINANCIAL INFORMATION OF THE GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2013

Details of the financial information of the Group for the financial years ended 31 December 2011, 2012 and 2013 are disclosed in page 46-93 of the Company's annual reports for the financial years ended 31 December 2011, page 53-99 of the Company's annual report for the financial year ended 31 December 2012 and page 58-109 of the Company's annual report for the financial year ended 31 December 2013 respectively. All of these financial statements have been published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.cmcdi.com.hk.

2. STATEMENT OF INDEBTEDNESS

At the close of business on 30 June 2014, 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 loan capital issued and outstanding, or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages charges, hire purchase commitments, guarantees or other material contingent liabilities.

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 Disposal, the Group has sufficient working capital, without relying on any external facilities, for its present requirements for at least the next twelve months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS

In the first half of 2014, in the face of a complex and ever-changing domestic and international environment, the Central Government launched relatively mild "growth-stabilizing" economic stimulation policies, including two targeted reserve ratio cuts, adjustment to loan-to-deposit ratios, the "renovation of shanty houses" arranged by the State Council, affirmation of deepening the reform on the investment and financing of railways, and tax reductions for small and medium sized enterprises. These, among other measures, encouraged the national economy to run steadily as a whole. In the first half of 2014, the gross domestic product (GDP) reached RMB26.90 trillion, representing an increase of 7.4% year on year. It is shown from the data that, the economic growth rate of China in the first half of the year slowed as compared to the same period last year, but remained within a reasonable range, and new progresses had been made in the adjustment of economic structures, as well as in industrial transformation and improvement. Given the relatively slowing GDP growth of China in 2014, it is expected that operating results of the Group's investee companies, which have operations mainly in China, are affected to some extent.

Looking ahead to the second half of 2014, the global economy as a whole will bottom out and slowly recover, despite the fact that improving prospects and the global recovery remains vulnerable with material downside risks. As the advanced economies resume and enhance economic growth along the way, their demands for exported goods from emerging and developing economies will also increase. However, in view of concerns on potential

risks of capital flow reversals, demand for large scale financing and disordered currency devaluations, some emerging market economies have further tightened their financial measures, leading to an increase in the cost of capital, which is expected to curb investment and slow economic growth. Under these circumstance, the Central Government for the first time proposed that the economic development in China should adapt to a new normal status, and raised the perspective of national security to the most prominent position. It placed emphasis on reducing reliance on foreign capital in the financial and industrial sectors. This will result in a new change, i.e. national enterprises will become the more important candidates for the upgrading and reorganization of industrial structure. This is the trend of the economic structure adjustment in China in the future, i.e. the Central Government will focus more on the development of proprietary intellectual property rights and on strengthening its own economic power. In addition, the Central Government also emphasized that it will refrain from re-initiating large scale stimulation, and will instead revitalize market forces through reform and enhancing targeted regulation on top of interval regulation, and stabilizing China's economy through a series of growth-stabilizing, reform-promoting, structure-adjusting and livelihood benefiting measures, so that the major economic indicators, such as the economic growth rate, unemployment rate and price level inflation, can be maintained within a reasonable range. In general, along with a consistent recovery of the overseas economy in the second half of the year, China's economy will consistently and mildly recover. The changes within China in its internal and external development strategies will have a profound influence on the stabilization and recovery of the economy. It is expected that despite the measures to curb consumption with public funds and the slowdown of income growth, domestic consumption will maintain stable growth; the real estate investment growth rate will gradually fall; the manufacturing industry affected by excess production capacity will decline slowly, and as driven by the favorable policies, the investment in infrastructures will maintain a stable source of growth, with demonstrating effect to the investment in fixed assets. In addition, the growth rate of foreign trade will return to a medium to low level with limited room for growth. Given the macroeconomic framework of growth-stabilizing, reform-promoting, structure-adjusting as advocated by the Central Government, and the mild acceleration of the China's economy in the second half of 2014, it is expected that new investment opportunities for the Group will emerge.

In the environment where challenges and opportunities co-exist, the Group will continue to make every effort to identify new investment projects, while maintaining an emphasis on investment opportunities in consumer goods (with particular focus on consumer-oriented projects in second and third tier cities), culture and media, advanced manufacturing, non-traditional financial services, energy, agriculture, medical and pharmaceutical, etc., and seek to optimize its mix of investments in order to create greater shareholder value.

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 Company. 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. DIRECTORS' AND CHIEF EXECUTIVES' DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interest and short positions of the Directors and chief executives 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) 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 (ii) which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein; or (iii) 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 Issuers (the "Model Code") were as follows:

Long position in the Shares

Name of Director	Capacity	Number of Shares held	Approximate percentage of shareholding
Mr. CHU Lap Lik, Victor	Interest of controlled corporation	3,030,024	1.99%

Save as disclosed, as at the Latest Practicable Date, none of the Directors and chief executives 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 to be notified to the Company and the Stock Exchange, (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 were a director or employee of a substantial shareholder of the Company:

- (a) Mr. LI Yinquan is an executive vice president of China Merchants Group Limited;

- (b) Mr. HONG Xiaoyuan is an assistant general manager of China Merchants Group Limited and the managing director of China Merchants Finance Holdings Company Limited; and
- (c) Mr. TSE Yue Kit is the general manager in direct investment division of China Merchants Finance Holdings Company Limited.

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

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, so far as is known to the Directors, the following persons (not being Directors or chief executives of the Company) had, or were deemed to have, interest or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange 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 member of the Group:—

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

Shareholder	Long/short position	Capacity	Number of Shares interested	Approximate percentage of shareholding
China Merchants Group Limited (Note 3)	Long position	Interest of controlled corporation	42,022,041	27.59%
China Merchants Steam Navigation Company Limited (Note 3)	Long position	Interest of controlled corporation	42,022,041	27.59%
China Merchants Holdings (Hong Kong) Company Limited (Note 1)	Long position	Interest of controlled corporation	42,022,041	27.59%
China Merchants Finance Holdings Company Limited (Note 2)	Long position	Interest of controlled Corporation	42,022,041	27.59%
China Merchants Financial Services Limited (Note 3)	Long position	Interest of controlled corporation	38,855,507	25.51%
Good Image Limited	Long position	Beneficial owner	38,855,507	25.51%
Lazard Asset Management LLC	Long position	Investment manager	28,947,290	19.00%
China Asset Management Co., Ltd.	Long position	Investment manager	9,099,475	5.97%

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

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

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

Save as disclosed, as at the Latest Practicable Date, the Directors and the chief executives of the Company were not aware of any person (other than Directors or chief executives of the Company) who had any interests or short positions in the Shares or underlying shares 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.

4. COMPETING INTERESTS

Mr. LI Yinquan and Mr. HONG Xiaoyuan are respectively vice chairman and director of China Merchants Capital Investment Co., Ltd. which is actively involved in direct investments and which may compete, either directly or indirectly, with business of the Group. Mr. CHU Lap Lik, Victor and Ms. KAN Ka Yee, Elizabeth (being alternate to Mr. CHU Lap Lik, Victor) are 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 business of the Group. However, the Company is capable of carrying on its business independently of, and at arm's length from, the businesses of China Merchants Capital Investment Co., Ltd. and First Eastern Investment Group. If conflict of interest arises on the part of Mr. LI Yinquan, Mr. HONG Xiaoyuan, Mr. CHU Lap Lik, Victor or Ms. KAN Ka Yee, Elizabeth, as the case may be, he or she 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, in so far as the Directors are aware, none of the Directors or any of their respective associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, other than those businesses to which the Directors and his associates were appointed to represent the interests of the Company and/or the Group.

5. DIRECTORS' SERVICE CONTRACTS

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

6. INTERESTS OF DIRECTORS IN ASSETS AND/OR CONTRACTS AND OTHER INTEREST

Investment Management Agreement

On 18 October 2012, the Company entered into an investment management agreement with the China Merchants China Investment Management Limited (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 and on 5 February 2010. Mr. HONG Xiaoyuan, Mr. CHU Lap Lik, Victor 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 investment management agreement, the appointment of the Investment Manager is for a fixed term commencing on 1 January 2013 and ending on 31 December 2015. Thereafter, subject to the approval by the independent Shareholders in accordance with the Listing Rules and compliance with all other applicable requirements under the Listing Rules, the appointment of the Investment Manager under the investment management agreement shall be renewed for further periods of three years after the expiry of each fixed term, unless either party shall at least 6 months prior to such expiry date give notice to the other party not to renew the appointment, whereupon the investment management agreement will terminate at the end of the then current fixed period.

The Company paid to the Investment Manager’s management fees totaling US\$9,353,307 for 2013. The management fee is calculated based on a fixed percentage on the value of the Group’s assets as stipulated in the investment management agreement.

No performance fee was paid to the Investment Manager by the Company for 2013. The performance fee is calculated on a fixed percentage on the excess of an agreed increment of the Group’s net asset value after certain adjustment as stipulated in the investment management agreement.

Sub-participation 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 has entered into sub-participation agreements (the “**Agreements**”) with certain executive Directors, certain directors and employees of the Investment Manager, and persons nominated by shareholders of 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 realization) from the Company's investment in the project company that is proportional to the amount provided by the Participants to the Company 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 correspondingly share a loss in the amount they provided to the Company on a pro rata basis. The Agreements will terminate upon either the realization 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 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 for 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 that corresponds to the amount provided by the Participants to the Company under the Agreements will be borne by the Investment Manager.

Under the Scheme, it was originally determined that the aggregate amount provided by the Participants in each of the Company's new investment projects should not exceed 2% of the Company's investment in each project (the "**Ceiling of Relative Proportion**"). In order to further strengthen the investment management process, with the consent of the Company and starting from 26 August 2011, the Ceiling of Relative Proportion for each of the Company's new investment projects is revised as follows: 1) for projects with an investment amount of RMB30 million or less, the Ceiling of Relative Proportion will be 5%; 2) for projects with an investment amount of more than RMB30 million and up to RMB100 million, the Ceiling of Relative Proportion will be RMB1.5 million or 2%, whichever is higher; and 3) for projects with an investment amount of more than RMB100 million, the Ceiling of Relative Proportion will be 2%.

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

Name of projects	Original investment amount of the Company US\$*	Original amounts paid by the Participants US\$*	Relative proportion
Unibank 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%
Unibank 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%
Jiangsu Huaer	2,226,200	43,800	1.966%
CBN	18,098,200	235,700	1.302%
Jinpower Electrical	3,033,500	60,300	1.988%
China Media Investment (2nd installment capital contribution)	953,500	6,100	0.638%
Liaoning Zhenlong	2,974,500	59,000	1.986%
NTong	10,409,700	130,300	1.252%
Teralane Semiconductor	789,500	34,200	4.335%
Hwagain	19,004,900	161,100	0.847%
China Media Investment (3rd installment capital contribution)	1,075,300	6,200	0.575%
China Media Investment (4th installment capital contribution)	4,566,600	26,300	0.577%
Chengtian	4,733,300	74,100	1.566%
China Media Investment (5th installment capital contribution)	484,900	2,800	0.580%
Esurfing	16,068,600	125,100	0.778%
China Media Investment (6th installment capital contribution)	5,555,100	32,200	0.579%
China Media Investment (7th installment capital contribution)	3,352,500	18,900	0.562%
Sanhome Pharmaceutical	17,171,500	94,100	0.548%
China Media Investment (8th installment capital contribution)	2,055,100	11,500	0.559%
China Media Investment – IMAX China	2,021,800	40,000	1.977%
China Media Investment (9th installment capital contribution)	859,600	4,830	0.562%

* Calculated with prevalent exchange rates at the time of the amounts paid

Note: The details of the projects are disclosed in the 2013 annual report of the Company and the announcement of the Company dated 9 April 2014.

In addition, as of the Latest Practicable Date, details of the amounts paid by some of the Directors as well as some of the directors of the Investment Manager for the Scheme were as follows:

Name of projects	Mr. HONG Xiaoyuan <i>(Note 1)</i> US\$	Ms. ZHOU Linda Lei <i>(Note 2)</i> US\$	Mr. TSE Yue Kit <i>(Note 3)</i> US\$	Mr. WANG Xiaoding <i>(Note 4)</i> US\$	Mr. TSIM Tak Chee <i>(Note 5)</i> US\$
Unibank Media (1st round capital injection)	12,900	12,900	1,290	20,640	N/A
Wuhan Rixin	3,510	4,390	1,290	3,510	N/A
Guangzhou Digital	12,900	25,810	1,290	38,710	N/A
Unibank Media (2nd round capital injection)	6,950	8,750	1,290	6,950	N/A
China Media Management	300	580	30	1,160	N/A
Geesun Technology	4,640	5,800	1,290	5,780	N/A
China Media Investment (1st installment capital contribution)	2,500	5,010	250	10,040	N/A
Jiangsu Huaer	3,500	4,380	1,290	4,380	N/A
CBN	12,850	25,700	1,290	35,860	N/A
Jinpower Electrical	4,830	6,030	1,280	6,030	N/A
China Media Investment (2nd installment capital contribution)	390	780	40	1,570	N/A
Liaoning Zhenlong	4,720	5,900	1,280	4,620	N/A
NTong	16,420	12,830	1,280	12,830	N/A
Teralane Semiconductor	3,090	3,860	1,290	2,570	N/A
Hwagain	12,880	25,770	1,290	12,880	N/A
China Media Investment (3rd installment capital contribution)	430	850	40	1,710	N/A
China Media Investment (4th installment capital contribution)	1,820	3,630	180	7,260	N/A
Chengtian	12,890	12,890	1,290	6,440	N/A
China Media Investment (5th installment capital contribution)	190	390	20	780	N/A
Esurfing	12,890	12,890	1,290	12,890	N/A
China Media Investment (6th installment capital contribution)	2,220	4,440	220	8,880	N/A
China Media Investment (7th installment capital contribution)	1,300	2,600	130	5,200	N/A
Sanhome Pharmaceutical	12,900	12,900	1,290	6,450	12,900
China Media Investment (8th installment capital contribution)	790	1,580	80	3,170	N/A
China Media Investment – IMAX China	6,450	6,450	1,290	6,450	6,450
China Media Investment (9th installment capital contribution)	330	670	30	1,330	N/A

Note 1: Director and chairman of the Investment Manager

Note 2: Director (previously also managing director of the Investment Manager but resigned from the post on 19 May 2014)

Note 3: Director and director of the Investment Manager

Note 4: Managing director of the Investment Manager and appointed on 19 May 2014

Note 5: Director of the Investment Manager

As at the Latest Practicable Date, save as disclosed, (i) none of the Directors had 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 are proposed to be acquired or disposed of by or leased to any member of the Group; and (ii) there was no contract or arrangement subsisting at the Latest Practicable Date in which any of the Directors was materially interested and which was significant to the business of the Group.

7. 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.

8. MATERIAL CONTRACTS

No material contract, not being contracts in the ordinary course of business, had been entered into by any member of the Group within the two years preceding the Latest Practicable Date.

9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, the date to which the latest published audited accounts of the Company were made up.

10. 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 Limited at Shops 1712-1716, 17th Floor, 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 the partner of Messrs. Woo, Kwan, Lee & Lo.
- (d) In case of inconsistency, the English text of this circular and the accompanying form of proxy shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the Agreement;
- (b) the annual reports of the Company for each of the years ended 31 December 2012 and 2013;
- (c) the articles of association of the Company;
- (d) this circular.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING



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 招商局中國基金有限公司 (the “**Company**”) will be held on Wednesday, 3 September 2014, at Taishan Room, Level 5, Island Shangri-La, Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong, at 10:00 a.m., to consider, and, if thought fit, pass the following resolution:

ORDINARY RESOLUTION

“THAT:

- (a) an agreement entered into on 1 August 2014 (the “**Agreement**”) between Shenzhen Tian Zheng Investment Co., Ltd.* (深圳市天正投資有限公司), an indirect wholly-owned subsidiary of the Company, (“**Tian Zheng**”) (as vendor) and China Entinet Cable Holdings Co., Ltd.* (華豐達有線網絡控股有限公司) (the “**Purchaser**”) (as purchaser), in respect of the sale and purchase of the 21% equity interest in Guangzhou Digital Media Group Ltd.* (廣州珠江數碼集團有限公司) (“**Guangzhou Digital**”) at the total consideration of RMB462,000,000, a copy of which is tabled at the meeting and marked “A” and initialed by the chairman of the meeting for identification purpose, and the transaction contemplated under the Agreement be and are hereby confirmed, approved and ratified;
- (b) any one director of the Company (if execution under the common seal of the Company is required, any two directors of the Company or any of the directors and the company secretary of the Company), be and is/are hereby authorized for and on behalf of the Company to execute all documents and to do all such things and take all such other steps which, in his/her opinion, may be necessary or desirable in connection with the matters contemplated in and for completion of the Agreement.”

By Order of the Board
TSE Yue Kit
Director

Hong Kong, 18 August 2014

* For identification purposes only

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Notes:

- (1) A shareholder of the Company entitled to attend, speak and vote at the extraordinary general meeting is entitled to appoint one or, if he/she is the holder of two or more shares, more than one proxy to attend, speak and vote instead of him/her in accordance with the articles of association of the Company. A proxy needs not be a shareholder of the Company.
- (2) A proxy form for use at the EGM is enclosed in the circular to the shareholders of the Company dated 18 August 2014.
- (3) To be valid, the proxy form, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's registered office at 1803, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the extraordinary general meeting or any adjournment thereof or, in the case of a poll taken more than 48 hours after it was demanded, not less than 24 hours before the time appointed for the taking of the poll and in default thereof the proxy form and such power or authority shall not be treated as valid. Completion and return of the proxy form shall not preclude you from subsequently attending and voting in person at the extraordinary general meeting or any adjourned meeting should you so wish.
- (4) 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 of the Company is Mr. KE Shifeng; and the independent non-executive Directors of the Company are Mr. LIU Baojie, Mr. XIE Tao, Mr. ZHU Li and Mr. TSANG Wah Kwong. In addition, Ms. KAN Ka Yee, Elizabeth is the alternate Director to Mr. CHU Lap Lik, Victor.