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

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

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CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED

招商局中國基金有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 133)

POSSIBLE MAJOR TRANSACTIONS

**(A) RENEWAL OF THE MANDATE FOR THE PROPOSED
DISPOSAL OF SHARES IN CHINA MERCHANTS BANK CO., LTD.**

**(B) RENEWAL OF THE MANDATE FOR THE PROPOSED
DISPOSAL OF SHARES IN INDUSTRIAL BANK CO., LTD.**

A letter from the Board is set out on pages 4 to 16 of this circular.

A notice convening the 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 at 3:00 p.m. on Thursday, 5 December 2013 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 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. 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 should you so wish.

Hong Kong, 13 November 2013

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DEFINITIONS

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

“2012 CMB Disposal Mandate”	the disposal mandate granted to the Directors by the Shareholders at the extraordinary general meeting of the Company held on 29 November 2012 to dispose of up to 53,830,102 CMB A Shares and the 11,842,622 CMB A rights shares estimated to be allotted and issued to the Company pursuant to the rights issue of CMB A Shares on the basis of up to 2.2 CMB A rights shares for every 10 existing CMB A Shares (the details of which were disclosed in the circular of the Company dated 17 November 2011) held by the Group for a period of 12 months from the passing of the relevant resolutions, the details of which were set out in the announcement of the Company dated 18 October 2012 and the circular of the Company dated 9 November 2012
“2012 IBC Disposal Mandate”	the disposal mandate granted to the Directors by the Shareholders at the extraordinary general meeting of the Company held on 29 November 2012 to dispose of up to 44,624,000 IBC A Shares held by the Group for a period of 12 months from the passing of the relevant resolutions, the details of which were set out in the announcement of the Company dated 18 October 2012 and the circular of the Company dated 9 November 2012
“Announcement”	the announcement of the Company dated 24 October 2013 in relation to, among other things, the Proposed Disposals
“associates”	has the meaning ascribed to it under the Listing Rules
“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 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 all or part of the CMB Interests during the Mandate Period, the terms of which are set out in this circular

DEFINITIONS

“CMB Interests”	the CMB A Shares held by the Group amounting to 63,196,540 CMB A Shares as at the Latest Practicable Date which are freely tradable on the SSE, representing the entire interest held by the Group in CMB
“Company”	China Merchants China Direct Investments Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange
“Conditions”	the conditions imposed by the Stock Exchange on the wavier 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 rights issue of CMB A Shares on the basis of up to 2.2 CMB A rights shares for every 10 existing CMB A Shares, the details of which were disclosed in the circular of the Company dated 17 November 2011
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal Mandates”	the CMB Disposal Mandate and the IBC Disposal Mandate
“EGM”	the extraordinary general meeting of the Company proposed to be held on 5 December 2013 to consider and, if thought fit, to approve the grant of mandates for the Proposed Disposals, the notice of which is set out on pages EGM-1 to EGM-2 of this circular
“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 Shares”	PRC-listed domestic share 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 all or part of the IBC Interests during the Mandate Period, the terms of which are set out in this circular

DEFINITIONS

“ IBC Interests ”	the IBC A Shares held by the Group amounting to 66,936,000 IBC A Shares as at the Latest Practicable Date which are freely tradable on the SSE, representing the entire interest held by the Group in IBC
“ Investment Manager ”	China Merchants China Investment Management Limited, a fund management company incorporated in Hong Kong with limited liability and registered under the SFO
“ Latest Practicable Date ”	8 November 2013, 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 all or part of the CMB Interests by the Group pursuant to the CMB Disposal Mandate
“ Proposed Disposals ”	the Proposed CMB Disposal and the Proposed IBC Disposal
“ Proposed IBC Disposal ”	the proposed disposal of all or part of the IBC Interests by the Group pursuant to the IBC Disposal Mandate
“ 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
“ Shareholder(s) ”	shareholder(s) of the Company
“ SSE ”	Shanghai Stock Exchange
“ Stock Exchange ”	The Stock Exchange of Hong Kong Limited
“ substantial shareholder ”	has the meaning ascribed to it under the Listing Rules
“ US\$ ”	United States dollars, the lawful currency of United States of America
“ % ”	per cent

For illustrative purposes in this circular only, RMB1=HK\$1.2612, US\$1=HK\$7.7539 and US\$1=RMB6.1480.

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 Suifeng

Independent Non-executive Directors:

Mr. LIU Baojie
Mr. XIE Tao
Mr. ZHU Li
Mr. TSANG Wah Kwong

13 November 2013

To the Shareholders

Dear Sir or Madam,

POSSIBLE MAJOR TRANSACTIONS

**(A) RENEWAL OF THE MANDATE FOR THE PROPOSED
DISPOSAL OF SHARES IN CHINA MERCHANTS BANK CO., LTD.**

**(B) RENEWAL OF THE MANDATE FOR THE PROPOSED
DISPOSAL OF SHARES IN INDUSTRIAL BANK CO., LTD.**

INTRODUCTION

Reference is made to the Announcement which disclosed the Proposed Disposals. The purpose of this circular is to provide you with further details of, and other disclosures in connection with, the

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Proposed Disposals required under the Listing Rules, including the financial information of the CMB Interests and the 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.

THE PROPOSED DISPOSALS

The Company obtained the 2012 CMB Disposal Mandate and the 2012 IBC Disposal Mandate from the Shareholders to dispose of (i) up to 53,830,102 CMB A Shares and the 11,842,622 CMB A rights shares estimated to be allotted and issued to the Company pursuant to the rights issue of CMB A Shares on the basis of up to 2.2 CMB A rights shares for every 10 existing CMB A Shares, the details of which were disclosed in the circular of the Company dated 17 November 2011; and (ii) up to 44,624,000 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 29 November 2012. Details of the 2012 CMB Disposal Mandate and the 2012 IBC Disposal Mandate were set out in the announcement of the Company dated 18 October 2012 and the circular of the Company dated 9 November 2012.

Having considered the general market conditions, the performance of the CMB A Shares and the IBC A Shares and the circumstances of the Company since the grant of the 2012 CMB Disposal Mandate and the 2012 IBC Disposal Mandate, the Company was of the view that no appropriate opportunity to dispose of the CMB A Shares and the IBC A Shares arose. Therefore up to the Latest Practicable Date, the Company had not disposed of any CMB A Shares and IBC A Shares under the 2012 CMB Disposal Mandate and the 2012 IBC Disposal Mandate.

As at the Latest Practicable Date, 63,196,540 CMB A Shares (including 9,366,438 CMB A rights shares allotted and issued to the Company on 11 September 2013 pursuant to the rights issue of CMB A Shares on the basis of 1.74 CMB A rights shares for every 10 existing CMB A Shares) and 66,936,000 IBC A Shares (including 22,312,000 bonus IBC A Shares received on 3 July 2013 pursuant to the bonus share issue of IBC on the basis of 5 bonus IBC A Shares for every 10 existing IBC A Shares) were held by the Company. It has been the known policy of the Company to dispose of the CMB Interests and the IBC Interests held by the Group in a gradual manner. In view of the imminent expiry of the 2012 CMB Disposal Mandate and the 2012 IBC Disposal Mandate on 28 November 2013, the Board proposes to seek the approval of the Shareholders at the EGM to grant fresh mandates to the Board to dispose of all or part of the CMB Interests and the IBC Interests held by the Group for another 12 months from the date of the EGM.

(A) THE PROPOSED CMB DISPOSAL

Maximum number of CMB A Shares to be disposed of

As at the Latest Practicable Date, the Company beneficially owned a total of 63,196,540 CMB A Shares (including 9,366,438 CMB A rights shares allotted and issued to the Company on 11

LETTER FROM THE BOARD

September 2013 pursuant to the rights issue of CMB A Shares on the basis of 1.74 CMB A rights shares for every 10 existing CMB A Shares), which are listed and freely tradable on the SSE, representing approximately 0.251% 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 63,196,540 CMB A Shares held by the Company as 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.

After the expiry of the 2012 CMB Disposal Mandate, 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 major transaction of the Company under Chapter 14 of the Listing Rules that would require compliance with the announcement, circular and shareholders' approval requirements under the Listing Rules.

Terms of the CMB Disposal Mandate

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 RMB9.29 (equivalent to approximately HK\$11.72) per CMB A Share; and
3. the disposal mandate will be for a 12-month period from the date of passing of the relevant resolution(s) at the EGM.

Basis for determining the minimum selling price

The minimum selling price of RMB9.29 was determined with reference to the net asset per share of CMB as at 31 December 2012, which is the latest audited figure obtainable for determining the minimum selling price. The minimum selling price reflects the lowest acceptable price to dispose of the CMB A Shares but is not the expected price at which the Company targets to dispose of the CMB A Shares. The Directors will consider various factors including general market conditions, progress of making new investments and performance of existing investments of the Company in exercising the CMB Disposal Mandate.

LETTER FROM THE BOARD

The minimum selling price for the CMB Disposal Mandate was formulated by the Company with reference to the current price-to-book ratio of certain PRC listed banks. The Company has also taken into account the current price-to-book ratio of the CMB A Shares. In addition, in view of the performance of CMB A Shares, the current and future market conditions and to ensure a more flexible financial position of the Company for new investment opportunities, the Board considers that the adoption of the audited net asset value of CMB as at 31 December 2012 as the current basis for determining the minimum selling price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The minimum selling price per CMB A Share of RMB9.29 represents:

- a discount of approximately 12.19% to the closing price of RMB10.58 per CMB A Share as quoted on the SSE as at 8 November 2013, being the Latest Practicable Date; and
- a discount of approximately 5.11% to the lowest closing price of RMB9.79 per CMB A Share as quoted on the SSE in the last 12 months up to and including the Latest Practicable Date.

In order to maximize efficiency for the Directors to act under the dynamic market conditions and economic situation during the Mandate Period, the Directors consider that the deviation of the minimum selling price from the trading prices of the CMB A Shares as illustrated above is of strategic advantage to the Company and is in the interests of the Company and the Shareholders as a whole.

Having considered the above factors, the Directors consider that the minimum selling price of RMB9.29 per CMB A Share will allow flexibility for the Directors to accommodate fluctuations in the market conditions and enable the Directors to effectively exercise the CMB Disposal Mandate under volatile market conditions, and is thus fair and reasonable as far as the Company and the Shareholders are concerned.

Manner of disposal

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 all or part 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, which will be responsible for identifying appropriate opportunities for disposing of the CMB A Shares. On the other hand, the Company will form a board committee consisting of Mr. CHU Lap Lik, Victor and Ms. ZHOU Linda Lei of the investment committee of the Company to monitor the process of execution of disposal orders. To ensure regular review and monitoring of the disposals made by the Investment Manager, after the sales of every 6,000,000 CMB A Shares, the Investment Manager will be obliged to report to the board committee and any further disposals of CMB A Shares proposed by the Investment Manager will be subject to approval by the board committee. All elaborations, discussions and decisions in relation to the timing, price and amount of the Proposed CMB Disposal will be kept confidential.

LETTER FROM THE BOARD

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 an aggregated basis and the net proceeds arising therefrom. Further, the Company will also adjust the change in fair value of the CMB A Shares (i.e. change in fair value of financial assets at fair value through profit or loss) in the announcement of net asset value of the Company to be published every month. Apart from making monthly announcements to disclose the number of CMB A Shares disposed of pursuant to the CMB Disposal Mandate and the net proceeds arising therefrom, the Company will also disclose the same in the interim report and annual report of the Company.

Information about CMB

According to the 2012 annual report of CMB and publicly available information, CMB has over 970 branches and offices through 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 at 31 December 2012, CMB had a total share capital of RMB21,577 million.

From publicly available information, the Company understands that the main business activities of CMB include the provision of corporate and personal banking services, treasury businesses, and provision of asset management, leasing, insurance, trust and other financial services.

The following sets out a summary of financial information of CMB for the two years ended 31 December 2011 and 31 December 2012 which were prepared under the PRC accounting standards:-

	For the year ended 31 December			
	2012		2011	
	<i>RMB million</i>	<i>HK\$ million</i>	<i>RMB million</i>	<i>HK\$ million</i>
	<i>(audited)</i>	<i>equivalent</i>	<i>(audited)</i>	<i>equivalent</i>
Profit before taxation	59,564	75,122	47,122	59,430
Profit after taxation	45,273	57,098	36,129	45,566
Net asset value	200,434	252,787	164,997	208,094

As at 31 December 2012, the audited consolidated net asset value attributable to the owners of CMB amounted to approximately RMB200,434 million (equivalent to approximately HK\$252,787 million) and the audited net asset value per CMB A Share was RMB9.29 (equivalent to approximately HK\$11.72). The Group held approximately 0.305% and 0.249% interest of CMB at the financial year end of 2011 and 2012 respectively. The audited net asset value attributable to the CMB A Shares held by the Group was approximately RMB499 million (equivalent to approximately HK\$629 million) as at 31 December 2012. Dividend income received by the Group from CMB amounted to approximately RMB19.09 million (equivalent to approximately HK\$24.08 million) in 2011 and approximately RMB27.65 million (equivalent to approximately HK\$34.87 million) in 2012. The change in fair value on CMB attributable to the Group amounted to loss of approximately US\$9.58 million (equivalent to approximately HK\$74.28 million) in 2011 and gain of approximately US\$15.87 million (equivalent to approximately HK\$123.05 million) in 2012 respectively.

LETTER FROM THE BOARD

As disclosed in the interim results of CMB for the six months ended 30 June 2013 prepared under the PRC accounting standards, the net asset value of CMB as at 30 June 2013 was RMB212,343 million and the net asset value per share was RMB9.84.

The highest and the lowest closing price of CMB A Shares as quoted on the SSE in the last 12 months up to and including the Latest Practicable Date was RMB15.01 and RMB9.79 (equivalent to approximately HK\$18.93 and HK\$12.35) respectively. As at 8 November 2013, being the Latest Practicable Date, the closing price of CMB A Shares as quoted on the SSE was RMB10.58 (equivalent to approximately HK\$13.34).

Financial effect of the disposal of CMB Interests

Based on the carrying amount of the CMB Interests held by the Company as at 31 December 2012 which was US\$117.59 million (equivalent to approximately HK\$911.78 million) and the subscription cost for rights issue of CMB A Shares in September 2013 which was RMB87.01 million (equivalent to approximately HK\$109.74 million) and the minimum selling price of RMB9.29 (equivalent to approximately HK\$11.72), the expected realized accounting loss on the disposal of the CMB Interests is US\$36.25 million (equivalent to approximately HK\$281.08 million).

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

Assuming the CMB Interests were disposed of on 1 January 2013 for a total consideration of US\$117.59 million (equivalent to approximately HK\$911.78 million) (representing the carrying amount of the CMB Interests as at 31 December 2012), the Group's earnings for the six months ended 30 June 2013 would have increased by approximately US\$3.25 million (equivalent to approximately HK\$25.20 million).

As at the Latest Practicable Date, the CMB Interests accounted for approximately 22.31% of the Company's net asset value based on the Company's unaudited consolidated accounts as at 30 September 2013.

Pursuant to the Conditions, the Company was required to, among other things, within six months from 11 September 2013, dispose of the CMB A Shares to the extent that its CMB Interests would not exceed 20% of the Company's net asset value.

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. Such amounts of proceeds shall be used as general working capital of the Company.

LETTER FROM THE BOARD

(B) THE PROPOSED IBC DISPOSAL

Maximum number of IBC A Shares to be disposed of

As at the Latest Practicable Date, the Company beneficially owned a total of 66,936,000 IBC A Shares (including 22,312,000 bonus IBC A Shares received on 3 July 2013 pursuant to the bonus share issue of IBC on the basis of 5 bonus IBC A Shares for every 10 existing IBC A Shares), which are listed and freely tradable on the SSE, representing approximately 0.351% 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 66,936,000 IBC A Shares held by the Company as at the Latest Practicable Date, represent the entire interest held by the Group in the IBC.

As at the Latest Practicable Date, the Group did not have any discussion with any party to dispose of the IBC 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 IBC Interests.

After the expiry of the 2012 IBC Disposal Mandate, 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 major transaction of the Company under Chapter 14 of the Listing Rules that would require compliance with the announcement, circular and shareholders' approval requirements under the Listing Rules.

Terms of the IBC Disposal Mandate

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 RMB8.90 (equivalent to approximately HK\$11.22) per IBC A Share; and
3. the disposal mandate will be for a 12-month period from the date of passing of the relevant resolution(s) at the EGM.

Basis for determining the minimum selling price

The minimum selling price of RMB8.90 was determined with reference to the net asset value per share of IBC as at 31 December 2012 (adjusted for bonus share issue), which is the latest audited

LETTER FROM THE BOARD

figure obtainable for determining the minimum selling price. The minimum selling price reflects the lowest acceptable price to dispose of the IBC A Shares but is not the expected price at which the Company targets to dispose of the IBC A Shares. The Directors will consider various factors including general market conditions, progress of making new investments and performance of existing investments of the Company in exercising the IBC Disposal Mandate.

The minimum selling price for the IBC Disposal Mandate was formulated by the Company with reference to the current price-to-book ratio of certain PRC listed banks. The Company has also taken into account the current price-to-book ratio of the IBC A Shares. In addition, in view of the performance of IBC A Shares, the current and future market conditions and to ensure a more flexible financial position of the Company for new investment opportunities, the Board considers that the adoption of the audited net asset value of IBC as at 31 December 2012 as the current basis for determining the minimum selling price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The minimum selling price per IBC A Share of RMB8.90 represents:

- a discount of approximately 19.75% to the closing price of RMB11.09 per IBC A Share as quoted on the SSE as at 8 November 2013, being the Latest Practicable Date; and
- a premium of approximately 1.60% to the lowest closing price of RMB8.76 per IBC A Share as quoted on the SSE in the last 12 months up to and including the Latest Practicable Date.

In order to maximize efficiency for the Directors to act under the dynamic market conditions and economic situation during the Mandate Period, the Directors consider that the deviation of the minimum selling price from the trading prices of the IBC A Shares as illustrated above is of strategic advantage to the Company and is in the interests of the Company and the Shareholders as whole.

Having considered the above factors, the Directors consider that the minimum selling price of RMB8.90 per IBC A Share will allow flexibility for the Directors to accommodate fluctuations in the market conditions and enable the Directors to effectively exercise the IBC Disposal Mandate under the volatile market conditions, and is thus fair and reasonable as far as the Company and the Shareholders are concerned.

Manner of disposal

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 all or part 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, which will be responsible for identifying appropriate opportunities for disposing of the IBC A Shares. On the other hand, the Company will form a board committee consisting of Mr. HONG Xiaoyuan and Ms. ZHOU Linda Lei of the investment committee of the Company to monitor the

LETTER FROM THE BOARD

process of execution of disposal orders. To ensure regular review and monitoring of the disposals made by the Investment Manager, after the sales of every 6,000,000 IBC A Shares, the Investment Manager will be obliged to report to the board committee and any further disposals of IBC A Shares proposed by the Investment Manager will be subject to the approval by the board committee. 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 an aggregated basis and the net proceeds arising therefrom. Further, the Company will also adjust the change in fair value of the IBC A Shares (i.e. change in fair value of financial assets at fair value through profit or loss) in the announcement of net asset value of the Company to be published every month. Apart from making monthly announcements to disclose the number of IBC A Shares disposed of pursuant to the IBC Disposal Mandate and the net proceeds arising therefrom, the Company will also disclose the same in the interim report and annual report of the Company.

Information about IBC

According to the 2012 annual report of IBC and publicly available information, IBC has over 750 branches and offices throughout the PRC. As at 31 December 2012, IBC had a total share capital of RMB12,702 million.

From publicly available information, the Company understands that the main business activities of IBC include the provision of corporate and personal banking services, treasury businesses, and provision of asset management, leasing, trust and other financial services.

The following sets out a summary of financial information of IBC for the two years ended 31 December 2011 and 31 December 2012 which were prepared under the PRC accounting standards:

	For the year ended 31 December			
	2012		2011	
	<i>RMB million</i>	<i>HK\$ million</i>	<i>RMB million</i>	<i>HK\$ million</i>
	<i>(audited)</i>	<i>equivalent</i>	<i>(audited)</i>	<i>equivalent</i>
Profit before taxation	46,193	58,259	33,664	42,457
Profit after taxation	34,718	43,786	25,505	32,167
Net asset value	169,577	213,871	115,209	145,302

As at 31 December 2012, the audited consolidated net asset value attributable to the owners of IBC amounted to approximately RMB169,577 million (equivalent to approximately HK\$213,871 million) and the audited net asset value per IBC A Share was RMB8.90 (adjusted for bonus share issue) (equivalent to approximately HK\$11.22). The Group held approximately 0.414% and 0.351% interest of IBC at the financial year end of 2011 and 2012 respectively. The audited net asset value attributable to the IBC A Shares held by the Group was approximately RMB595 million (equivalent to approximately HK\$750 million) as at 31 December 2012. Dividend income received by the Group

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from IBC amounted to approximately RMB17.50 million (equivalent to approximately HK\$22.07 million) in 2011 and RMB14.09 million (equivalent to approximately HK\$17.77 million) in 2012. The change in fair value on IBC attributable to the Group amounted to loss of approximately US\$5.84 million (equivalent to approximately HK\$45.28 million) in 2011 and gain of approximately US\$29.63 million (equivalent to approximately HK\$229.75 million) in 2012 respectively.

As disclosed in the interim results of IBC for the six months ended 30 June 2013 prepared under the PRC accounting standards, the net asset value of IBC as at 30 June 2013 was RMB184,304 million and the net asset value per share was RMB9.67 (adjusted for bonus share issue).

The highest and lowest closing price of IBC A Shares as quoted on the SSE in the last 12 months up to and including the Latest Practicable Date was RMB14.32 (adjusted for bonus share issue) and RMB8.76 (equivalent to approximately HK\$18.06 and HK\$11.05) respectively. As at 8 November 2013, being the Latest Practicable Date, the closing price of IBC A Shares as quoted on the SSE was RMB11.09 (equivalent to approximately HK\$13.99).

Financial effect of the disposal of IBC Interests

Based on the carrying amount of the IBC Interests held by the Company as at 31 December 2012 which was US\$118.56 million (equivalent to approximately HK\$919.30 million) and the minimum selling price of RMB8.90 (equivalent to approximately HK\$11.22), the expected realized accounting loss on the disposal of the IBC Interests is US\$21.66 million (equivalent to approximately HK\$167.95 million).

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

Assuming the IBC Interests were disposed of on 1 January 2013 for a total consideration of US\$118.56 million (equivalent to approximately HK\$919.30 million) (representing the carrying amount of the IBC Interests as at 31 December 2012), the Group's earnings for the six months ended 30 June 2013 would have increased by approximately US\$1.98 million (equivalent to approximately HK\$15.35 million).

As at the Latest Practicable Date, the IBC Interests accounted for approximately 24.20% of the Company's net asset value based on the Company's unaudited consolidated accounts as at 30 September 2013.

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. Such amounts of proceeds shall be used as general working capital of the Company.

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REASONS FOR AND BENEFITS OF THE PROPOSED DISPOSALS

As stated in the 2013 interim report of the Company, 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 and agriculture. The Group will also seek to optimize its mix of investments in order to create greater shareholder value. The proceeds from the Proposed Disposals will put the Group into a better and more flexible financial position to take advantage of current and future investment opportunities should they arise.

Upon approval of the CMB Disposal Mandate by the Shareholders, the Company will prioritize its efforts to satisfy the Conditions to dispose of the CMB A Shares within six months from 11 September 2013, to the extent that its CMB Interests would not exceed 20% of 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 investments of the Company.

In exercising the CMB Disposal Mandate and the IBC Disposal Mandate, apart from the opportunities and progress of making new investments, the Directors will also consider the performance of CMB A Shares, IBC A Shares and other investments of the Company, the latest development and circumstances of CMB and IBC, general market conditions as well as the macro-economic environment of the PRC in general.

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 the IBC Disposal Mandate will give flexibility to the Directors to dispose of the CMB Interests and the 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 the 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.

IMPLICATIONS OF THE PROPOSED DISPOSALS UNDER THE LISTING RULES

If the Group proceeds with the Proposed CMB Disposal after the expiry of the 2012 CMB Disposal Mandate, the aggregate of all CMB A Shares to be disposed of under the Proposed CMB Disposal may constitute a major transaction of the Company under Chapter 14 of the Listing Rules. If the Group proceeds with the Proposed IBC Disposal after the expiry of the 2012 IBC Disposal Mandate, the aggregate of all IBC A Shares to be disposed of under the Proposed IBC Disposal may also constitute a major transaction of the Company under Chapter 14 of the Listing Rules. Each of the

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Proposed CMB Disposal and the Proposed IBC Disposal would then be subject to the requirements of announcement, circular and shareholders' approval under the Listing Rules. The Board thus proposes to seek the Shareholders' approval of the CMB Disposal Mandate and of the IBC Disposal Mandate.

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 as may be applicable.

EXTRAORDINARY GENERAL MEETING

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 Thursday, 5 December 2013 at 3:00 p.m. at which resolutions will be proposed to the Shareholders to consider and, if thought fit, approve the Proposed Disposals, is set out on pages EGM-1 to EGM-2 to this circular.

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

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 to the Proposed Disposals such that it must abstain from voting, and, accordingly, all Shareholders will be permitted to vote at the EGM.

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.

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 on the Stock Exchange provided that the main businesses or incomes of such companies are derived from the PRC including Hong Kong.

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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 laws and regulations and 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 further CMB A Shares within 6 months from 11 September 2013 such that the interests of the Group in CMB would not exceed 20% of the net asset value of the Company as part of the Conditions, there is no assurance that 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 the Proposed IBC Disposal are independent of each other and not inter-conditional.

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 the independent non-executive Directors) recommends the Shareholders to vote in favour of the ordinary resolutions 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
ZHOU Linda Lei
Director

FINANCIAL INFORMATION OF THE GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2012 AND THE SIX MONTHS ENDED 30 JUNE 2013

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2013 is disclosed in the 2013 interim report of the Company published on 12 September 2013, from pages 2 to 21, and the audited consolidated financial statements of the Group (i) for the year ended 31 December 2012 is disclosed in the 2012 annual report of the Company published on 15 April 2013, from pages 53 to 99; (ii) for the year ended 31 December 2011 is disclosed in the 2011 annual report of the Company published on 16 April 2012, from pages 46 to 93; and (iii) for the year ended 31 December 2010 is disclosed in the 2010 annual report of the Company published on 13 April 2011, from pages 44 to 91, all of which have been published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.cmcdi.com.hk).

STATEMENT OF INDEBTEDNESS

At the close of business on 30 September 2013, 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.

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 will have 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.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

In the first half of 2013, in face of a complex and ever-changing domestic and international environment, the PRC Central Government continued to pursue active fiscal policies and steady monetary policies under the general principle of achieving growth amid greater stability in the national economy. China reached a GDP of RMB24.8 trillion for the first half of the year, for an increase of 7.6% over the same period last year, suggesting a slowdown in the country's economic growth in the first half of the year, but within a reasonable range.

Looking ahead to the second half of 2013, the Company expects the overall global economic growth to remain slow, while market conditions for exports from China may be less than ideal, given the intensifying trend of protectionism. In terms of domestic demand, growth of consumption and investment are also likely to gradually slow. In terms of domestic supply, PMI and other indicators suggest insufficient momentum for a strong economic recovery. For the functioning of the national

economy in China during the second half of the year, structural change in GDP will dominate. With weaker momentum from traditional sources, the major driving force for economic development in the second half of the year will come from household consumption and fixed asset investment, which is dominated by government-oriented urban construction. In keeping with this transition, “deleveraging, decreasing excess capacity and destocking” will be the main macroeconomic themes for the second half of the year. Specifically, under the thinking of “Vitalizing existing funding and making good use of growth funding”, banks in the PRC will restrict loans to industries with excess capacity and severe inventory issues, thus gradually reducing the proportion of such loans in relation to the total amount of credit, and increasing capital can flow into strategic emerging industries, such as those that improve people’s livelihood and utilize high technology. As excess capacity is eliminated and existing inventories are drawn down, it is inevitable that economic growth will slow and that some portion of the labour force will face the risk of structural unemployment during this transition phase of the industrial upgrading.

On 5 July 2013, the State Council of the PRC issued “Guidance on the supports from financial industry for the restructuring, transformation and upgrading of economic structure” (《關於金融支持經濟結構調整和轉型升級的指導意見》), (known as the Ten Financial Rules), of which eight rules relate to structural adjustment and modal transition. Therefore, China’s macroeconomic policy will exert “both protection and suppression” during the second half of 2013. For the industries and enterprises which are conducive to structural adjustment and modal transition, the PRC Central Government will offer its utmost support; while for industries which contradict the development direction of the PRC Central Government, the macro-control policy will exert suppression. In this way, the economic development of China will not follow a flat and balanced path, but will show structural differences instead.

The People’s Bank of China announced that it would further promote the market reform of interest rates and fully liberalize the lending rates of financial institutions from 20 July 2013. The market generally believes that full liberalization of the lending rates can help to reduce corporate financing costs and enhance the market’s inherent capacity to allocate resources, thereby further strengthening support from the financial industry for the development of the real economy, as well as facilitating stable, healthy and sustainable economic development. While a decrease in corporate financing costs can bring certain challenges to investment opportunities for the Group, the positive real economy will bring more direct investment opportunities to the Group. The Group will continue to keep a close watch on China’s financial lending rates policy so as to make timely adjustments on investment strategies and focus.

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 and agriculture. The Group will also 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 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. 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 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 Issuers (the "Model Code") were as follows:

Long position in the ordinary shares in the Company

Name of Director	Capacity	Number of Shares held	Percentage of total issued share capital as at the Latest Practicable Date
Mr. CHU Lap Lik, Victor	Interest of controlled corporation	3,030,024	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, (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 a vice president of China Merchants Group Limited;
- (b) Mr. HONG Xiaoyuan is an assistant president 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 is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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

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

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

Shareholder	Long/short position	Capacity	Number of Shares interested	Approximate percentage in the Company's share capital
China Merchants Group Limited (<i>Note 3</i>)	Long position	Interest of controlled corporation	42,022,041	27.59%
China Merchants Steam Navigation Company Limited (<i>Note 3</i>)	Long position	Interest of controlled corporation	42,022,041	27.59%
China Merchants Holdings (Hong Kong) Company Limited (<i>Note 1</i>)	Long position	Interest of controlled corporation	42,022,041	27.59%
China Merchants Finance Holdings Company Limited (<i>Note 2</i>)	Long position	Interest of controlled corporation	42,022,041	27.59%
China Merchants Financial Services Limited (<i>Note 3</i>)	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	30,460,535	19.99%
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 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, Mr. HONG, Mr. CHU, or Ms. KAN, as the case may be, they 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 had an interest in a business that competes or may compete with the business of the Group.

5. DIRECTORS' SERVICE CONTRACTS

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

6. 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 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, 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 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.

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%

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

Note: The details of the projects are disclosed in the 2013 interim report of the Company.

In addition, as of the Latest Practicable Date, details of the amounts paid by some of the Directors as well as a director 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. WU Huifeng <i>(Note 4)</i> US\$
Unibank 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
Unibank 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
Jiangsu Huaer	3,500	4,380	1,290	3,500
CBN	12,850	25,700	1,290	25,700
Jinpower Electrical	4,830	6,030	1,280	4,830
China Media Investment (2nd installment capital contribution)	390	780	40	390
Liaoning Zhenlong	4,720	5,900	1,280	4,720
NTong	16,420	12,830	1,280	16,420
Teralane Semiconductor	3,090	3,860	1,290	3,090
Hwagain	12,880	25,770	1,290	19,330
China Media Investment (3rd installment capital contribution)	430	850	40	430
China Media Investment (4th installment capital contribution)	1,820	3,630	180	1,820
Chengtian	12,890	12,890	1,290	12,890
China Media Investment (5th installment capital contribution)	190	390	20	190
Esurfing	12,890	12,890	1,290	12,890
China Media Investment (6th installment capital contribution)	2,220	4,440	220	2,220
China Media Investment (7th installment capital contribution)	1,300	2,600	130	1,300

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 and resigned on 30 May 2013

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. 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.

8. 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.

9. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2012, 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 Rooms 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 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.

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 memorandum and articles of association of the Company; and
- (b) the annual reports of the Company for each of the two years ended 31 December 2011 and 2012 and the interim report for the six months ended 30 June 2013.

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 (the “**Company**”) will be held on Thursday, 5 December 2013, at Taishan Room, Level 5, Island Shangri-La, Hong Kong, Two Pacific Place, Supreme Court Road, Central, 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. Market price refers to the price allowed under the trading system of the Shanghai Stock Exchange, but will not be less than RMB9.29 (equivalent to approximately HK\$11.72) 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.”

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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. Market price refers to the price allowed under the trading system of the Shanghai Stock Exchange, but will not be less than RMB8.90 (equivalent to approximately HK\$11.22) 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, 13 November 2013

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. 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.