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

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

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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**CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED**

**招商局中國基金有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code : 133)**

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

**Financial adviser to the Company**

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

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

**ALTUS CAPITAL LIMITED**

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A letter from the Board is set out on pages 4 to 13 of this circular. A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders is set out on pages 14 to 15 of this circular. A letter from Altus Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 29 of this circular.

A notice convening the EGM to be held at Tianshan Room, Level 5, Island Shangri-La, Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong on Monday, 29 November 2021 at 10:00 a.m. is set out on pages 41 to 42 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 1609, Three Pacific Place, 1 Queen's Road East, 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.

**PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING**

Please see the next page of this circular for measures being taken to try to prevent and control the spread of the coronavirus disease (COVID-19) at the EGM, including:

- Compulsory temperature checks and health declarations
- Compulsory wearing of surgical face masks
- No provision of refreshments or drinks

Any person who does not comply with the precautionary measures may be denied entry to the EGM venue. The Company encourages Shareholders that they may appoint the Chairman of the Meeting as their proxy to vote on the relevant resolution at the EGM as an alternative to attending the EGM in person.

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## PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

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In view of the ongoing coronavirus disease (COVID-19) pandemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the EGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

- (i) Compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry to the EGM venue or be required to leave the EGM venue.
- (ii) All Shareholders, proxies and other attendees are required to complete and submit at the entrance of the EGM venue a declaration form confirming their names and contact details, and confirming that they have not travelled to, or to their best of knowledge had physical contact with any person who has recently travelled to, any affected countries or areas outside of Hong Kong (as per guidelines issued by the Hong Kong Government at [www.chp.gov.hk/en/features/102742.html](http://www.chp.gov.hk/en/features/102742.html)) at any time in the preceding 21 days. Any person who does not comply with this requirement may be denied entry to the EGM venue or be required to leave the EGM venue.
- (iii) Attendees are required to wear surgical face masks inside the EGM venue at all times, and to maintain a safe distance between seats. Please note that no masks will be provided at the EGM venue and attendees should bring and wear their own masks.
- (iv) No refreshments or drinks will be served at the EGM.
- (v) Other measures may be required by the governmental authorities.

To the extent permitted under law, the Company reserves the right to deny entry to the EGM venue or require any person to leave the EGM venue in order to ensure the safety of the attendees at the EGM.

In the interest of all stakeholders' health and safety and consistent with recent COVID-19 guidelines for prevention and control, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions inserted, Shareholders may appoint the Chairman of the EGM as their proxy to vote on the relevant resolution at the EGM instead of attending the EGM in person.

The proxy form is attached to the EGM Circular for Shareholders. Alternatively, the proxy form can be downloaded from the Company's website. If you are not a registered Shareholder (if your Shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy.

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## PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

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If Shareholders choosing not to attend the EGM in person have any questions about the relevant resolution, or about the Company or any matters for communication with the Board, they are welcome to contact the Company as follows:

Investor Relations

Email: [info@cmcdi.com.hk](mailto:info@cmcdi.com.hk)

Tel: (852) 2858 9089

Fax: (852) 2858 8455

If Shareholders have any questions relating to the EGM, please contact Computershare Hong Kong Investor Services Limited, the Company's Share Registrar, as follows:

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor,

Hopewell Centre, 183 Queen's Road East,

Wan Chai, Hong Kong

Email: [hkinfo@computershare.com.hk](mailto:hkinfo@computershare.com.hk)

Tel: (852) 2862 8555

Fax: (852) 2865 0990

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## DEFINITIONS

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

“Altus Capital”	Altus Capital Limited, a corporation licensed to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the transaction contemplated under the New Management Agreement and the proposed annual caps
“Articles of Association”	the articles of association of the Company as amended, supplemented or modified from time to time
“Assets of the Company” or “Assets”	all the assets of any description of the Company and its subsidiaries, including but not limited to the interests held in jointly controlled entities and associated companies as shown in the accounts of the Company, wheresoever and howsoever located
“associates”	shall have the same meaning as provided in the Listing Rules
“Board”	the board of directors of the Company from time to time
“CMCIM”	China Merchants China Investment Management Limited, a fund management company incorporated in Hong Kong with limited liability and registered under the SFO
“CMG”	China Merchants Group Limited, a company incorporated in the PRC with limited liability which (through its associates) owns 55% of CMCIM and is also a substantial shareholder of the Company
“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 (Stock Code: 0133)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held on 29 November 2021 to consider and, if thought fit, approve the transaction contemplated under the New Management Agreement and the proposed annual caps, the notice of which is set out on pages 41 to 42 of this circular

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## DEFINITIONS

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“Existing Management Agreement”	the investment management agreement entered into between the Company and CMCIM dated 18 October 2018, the term of which will expire on 31 December 2021
“Group”	the Company and its subsidiaries
“HK\$ or HKD”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors, namely Mr. LIU Baojie, Mr. TSANG Wah Kwong, Dr. LI Fang, Dr. GONG Shaolin and Mr. Michael Charles VITERI, to make recommendation to the Independent Shareholders in respect of the New Management Agreement and the proposed annual caps
“Independent Shareholders”	the Shareholders other than the associates of CMG and Victor Chu China Investment Limited and/or its associates
“Latest Practicable Date”	1 November 2021, 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, as amended from time to time
“Management Period”	the term of appointment of CMCIM under the New Management Agreement, i.e. from 1 January 2022 to 31 December 2024
“NAV”	the net asset value of the Company calculated on the basis as set out in the Prospectus
“New Management Agreement”	the investment management agreement dated 18 October 2021 entered into between the Company and CMCIM in relation to the provision of investment management services with effect from 1 January 2022
“PRC”	the People’s Republic of China, which for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PRC Business Day”	a day other than a Saturday, Sunday or a public holiday in the PRC

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## DEFINITIONS

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“Prospectus”	the prospectus dated 15 July 1993 issued by the Company in connection with the placing of Shares on the terms described therein
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	the ordinary share(s) in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“US\$ or US dollar”	United States Dollars, the lawful currency of the United States of America
“%”	per cent

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LETTER FROM THE BOARD

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**CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED**

**招商局中國基金有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code : 133)**

***Directors:***

Mr. ZHOU Xing\* (*Chairman*)  
Mr. ZHANG Rizhong\*  
Mr. WANG Xiaoding#  
Mr. TSE Yue Kit#  
Ms. KAN Ka Yee, Elizabeth#  
Mr. KE Shifeng\*  
Mr. LIU Baojie\*\*  
Mr. TSANG Wah Kwong\*\*  
Dr. LI Fang\*\*  
Dr. GONG Shaolin\*\*  
Mr. Michael Charles VITERI\*\*

***Registered office:***

1609, Three Pacific Place,  
1 Queen's Road East,  
Hong Kong

# *Executive Directors*

\* *Non-executive Directors*

\*\* *Independent Non-executive Directors*

8 November 2021

*To the Shareholders*

Dear Sir or Madam,

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

**INTRODUCTION**

On 18 October 2021, the Board announced that the Company entered into the New Management Agreement with CMCIM in relation to the proposed re-appointment of CMCIM as the Company's investment manager for the Management Period, immediately following the expiry date of the Existing Management Agreement on 31 December 2021. Save for the reduction in the amount of annual management fee charged on the Un-invested Portion of the Assets of the Company from 0.50% of the book value to zero, the terms of the New Management Agreement are in all material respects the same as the terms of the Existing Management Agreement which was approved by the Independent Shareholders in 2018.



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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with further details of the New Management Agreement, the recommendation of the Independent Board Committee, the advice of Altus Capital to the Independent Board Committee and the Independent Shareholders, and the notice convening the EGM for approving the New Management Agreement and the proposed annual caps, and other information required under the Listing Rules.

### NEW MANAGEMENT AGREEMENT

CMCIM is the present investment manager of the Company pursuant to the Existing Management Agreement. The term under the Existing Management Agreement will expire on 31 December 2021 and will be renewed under the New Management Agreement. The proposed principal terms of the New Management Agreement are as follows:

#### Principal terms

The principal terms of the New Management Agreement include:

- |                      |  |
|----------------------|--|
| Condition:           | The New Management Agreement is conditional upon the approval of the Independent Shareholders at the EGM to be convened in accordance with the requirements of the Listing Rules.  |
| Term of appointment: | The appointment of CMCIM is for a fixed term of three years, commencing on 1 January 2022 and ending on 31 December 2024. Thereafter, subject to the approval of the Independent Shareholders in accordance with the Listing Rules and compliance with all other applicable requirements under the Listing Rules, the appointment shall be renewed for further periods of three years after the expiry of each fixed term, unless either party shall at least six months prior to such expiry date give notice to the other party not to renew the appointment, whereupon the New Management Agreement will terminate at the end of the then current fixed period. |
| Services:            | CMCIM shall undertake all investment and management duties arising pursuant to the operation of the Company and its responsibilities shall include identifying and evaluating investment opportunities, executing investment decisions, monitoring and enhancing investments of the Company, making decisions on investments and realizations for the Company in accordance with the investment objectives and policy of the Company as described in the Prospectus and as from time to time laid down by the Directors, managing the corporate affairs of the Company and dealing with its day-to-day administration.   |

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## LETTER FROM THE BOARD

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- Remuneration:                      *Management fee:*                      The Company will pay to CMCIM an annual management fee in US dollars (or the HKD or RMB Equivalent of the same) equal to the aggregate of:
- (a) on the Invested Portion of the Assets of the Company represented by unlisted securities or interests: 2.00% of the book value (net of taxes); and
  - (b) on the Invested Portion of the Assets of the Company represented by securities listed on a recognized stock exchange<sup>(Note)</sup>:
    - (i) during the lockup period following listing: 2.00% of the book value (net of taxes);
    - (ii) for the one year after the lockup period lapses: 1.75% of the book value (net of taxes);
    - (iii) thereafter: 1.50% of the book value (net of taxes); and
    - (iv) in respect of listed securities purchased from the secondary securities market: 1.50% of the book value (net of taxes),

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

- Performance fee:*                      Conditional upon the NAV at the end of each financial year (as Adjusted) exceeding the higher (the “**High Watermark**”) of:
- (i) the NAV for the Reference Year, and
  - (ii) the NAV of the most recent financial year after the Reference Year and in which a performance fee was paid,

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## LETTER FROM THE BOARD

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the Company will pay to CMCIM an annual performance fee in US dollars (or the HKD or RMB Equivalent of the same) equal to 8% of the amount by which the NAV as at the end of the relevant financial year (as Adjusted) exceeds the High Watermark. Such fee shall be payable as soon as practicable after the publication of the audited financial results of the Company for the relevant financial year on the websites of the Company and the Stock Exchange, and in any event not later than 180 calendar days after the publication of the same.

For the purposes of calculating the management fee and/or the performance fee:

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

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## LETTER FROM THE BOARD

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- (2) the “**HKD or RMB Equivalent**” of a US dollar amount shall be determined by converting the US dollar amount into HKD or RMB (as the case may be) at the middle exchange rate between US\$ and HKD or RMB (as the case may be) published by the State Administration of Foreign Exchange of the PRC on the date of payment of the relevant sum, or if such date falls on a date other than a PRC Business Day, the immediately preceding PRC Business Day;
- (3) the “**Reference Year**” means the financial year ended 31 December 2020;
- (4) the “**Invested Portion of the Assets of the Company**” refers to the portion of the Assets of the Company invested in listed or unlisted securities or interests, whereas the “**Un-invested Portion of the Assets of the Company**” refers to the portion of those Assets other than the Invested Portion of the Assets such as cash and receivables;
- (5) the “**book value**” refers to the fair value amount of those Assets which are unlisted and the mark to market value amount of those Assets which are listed; and
- (6) the aggregate amount of annual management fee and performance fee payable by the Company to CMCIM each year under the New Management Agreement will not exceed the relevant annual cap to be approved by the Independent Shareholders at the EGM to be convened in accordance with the requirements of the Listing Rules.

*Note: The Company and CMCIM regard a recognized stock exchange as any stock exchange operated by a recognized exchange company within the laws of the jurisdiction in which the stock exchange is incorporated or otherwise established, including but not limited to the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, National Equities Exchange and Quotations (NEEQ), the New York Stock Exchange, NASDAQ and the London Stock Exchange.*

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## LETTER FROM THE BOARD

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

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

### **Comparison of terms under the New Management Agreement and Existing Management Agreement**

Save for the reduction in the amount of annual management fee charged on the Un-invested Portion of the Assets of the Company, being the portion of those Assets other than the Invested Portion of the Assets such as cash and receivables from 0.50% of the book value to zero, the terms of the New Management Agreement are in all material respects the same as those of the Existing Management Agreement which was approved by the Independent Shareholders in 2018.

### **Proposed annual caps**

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

	<i>US\$</i>
For the year ending 31 December 2022	72,000,000
For the year ending 31 December 2023	74,000,000
For the year ending 31 December 2024	76,000,000

In computing the above proposed annual caps, the Directors have taken into account and made reference to (i) the potential growth in the underlying value of the investment portfolio of the Company, in particular, the potential increase in value as a result of the potential listing of some of its unlisted investments in the PRC and the potential increase in value of its listed and unlisted investments; (ii) the historical record of the management fee and performance fee received by CMCIM; and (iii) the fee rates under the New Management Agreement.

Since the Company became listed on the Stock Exchange in 1993, CMCIM has only been entitled to performance fees under the previous investment management agreements for the financial years 2006, 2007, 2009, 2014, 2015 and 2017, and under the Existing Management Agreement for the financial year 2020, during which years the value of the Company's investment portfolio increased substantially. The audited NAV increased from US\$139,030,538 as at 31 December 2004 to US\$775,430,779 as at 31 December 2020, representing a compound annual growth rate of approximately 11.3% (taking no account of cash dividends paid and Shares buy-back of US\$163,598,146 during the period).

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## LETTER FROM THE BOARD

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Since the appointment of CMCIM as the investment manager of the Company in 1993, the highest annual remuneration received by CMCIM was approximately US\$121.1 million which was paid by the Company to CMCIM pursuant to the investment management agreement then effective in 2007. Since the amount of the performance fee payable is directly related to the valuation of the investment portfolio of the Company which is volatile in nature and may fluctuate from year to year, reference has been made to the highest performance fee paid in prior years under the previous investment management agreements and the Existing Management Agreement as the basis and adjusted for the fee rates under the New Management Agreement for determining the above proposed annual caps.

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

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

On 18 October 2018, the Company and CMCIM entered into the Existing Management Agreement for the appointment of CMCIM as the investment manager of the Company. The remuneration paid to CMCIM in the two financial years ended 31 December 2019 and 2020 were published in the annual reports of the Company for the relevant financial years and the remuneration paid to CMCIM for the 6 months ended 30 June 2021 was published in the 2021 interim report of the Company.

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

	For the financial year ended		For the
	31 December		6 months ended
	2019	2020	30 June
	US\$	US\$	US\$
	(audited)	(audited)	(unaudited)
Management fee	11,032,351	11,511,019	7,026,361
Performance fee	—	9,587,735	—
Total remuneration payable	<u>11,032,351</u>	<u>21,098,754</u>	<u>7,026,361</u>

### Condition of the New Management Agreement

The New Management Agreement is conditional upon the approval by the Independent Shareholders at the EGM to be convened by the Company.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW MANAGEMENT AGREEMENT

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

In considering the fees and terms under the New Management Agreement, the Board has engaged a financial adviser to conduct research on the terms of broadly comparable investment companies listed in Hong Kong. Having taken into account of the financial adviser's findings and opinions, the Board considered that the New Management Agreement was entered into on normal commercial terms that are generally in line with the market practice of investment companies listed in Hong Kong.

### LISTING RULE IMPLICATIONS

CMCIM, which has been the investment manager of the Company since 1993, is a connected person of the Company pursuant to Rule 14A.08 of the Listing Rules. Accordingly, the transaction contemplated under the New Management Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the proposed annual caps for the fees payable under the New Management Agreement for each of the three years ending 31 December 2024 exceed 5%, the transaction contemplated thereunder is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under the Listing Rules.

An independent board committee of the Company comprising all independent non-executive Directors, including Mr. LIU Baojie, Mr. TSANG Wah Kwong, Dr. LI Fang, Dr. GONG Shaolin and also Mr. Michael Charles VITERI who is newly appointed, has been formed to advise the Independent Shareholders in respect of the transaction contemplated under the New Management Agreement and the proposed annual caps. Altus Capital has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the New Management Agreement and the related proposed annual caps.

### VIEWS OF DIRECTORS

The Directors are of the view that the New Management Agreement is on normal commercial terms and in the ordinary and usual course of business of the Company; that the terms of the New Management Agreement are fair and reasonable and the New Management Agreement is in the interests of the Company and the Shareholders as a whole; and that the proposed annual caps in respect of the fees payable under the New Management Agreement are fair and reasonable.

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## LETTER FROM THE BOARD

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Ms. KAN Ka Yee, Elizabeth is interested in the New Management Agreement by virtue of her beneficial interest in CMCIM and has abstained from voting on (and has not been counted in the quorum for) the relevant resolutions of the Board approving the same.

### INFORMATION IN RESPECT OF THE COMPANY AND CMCIM

The Company is an investment company, the Shares of which are listed on the Main Board of the Stock Exchange under Chapter 21 of the Listing Rules. The Company specializes in investing in the PRC. Its investment objective is to acquire quality investments, principally in unlisted enterprises, in the PRC. The Company may also invest in China-concept shares through the secondary securities market.

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

CMCIM is owned as to 55% by CMG (through its associates) and as to 45% by Victor Chu China Investment Limited. CMG is a state-owned enterprise of the PRC. The ultimate beneficial owners of Victor Chu China Investment Limited are Mr. CHU Lap Lik, Victor and Ms. KAN Ka Yee, Elizabeth.

### EXTRAORDINARY GENERAL MEETING

A notice of the EGM to be held at Tianshan Room, Level 5, Island Shangri-La, Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong on Monday, 29 November 2021 at 10:00 a.m. at which resolution will be proposed to the Shareholders to consider and, if thought fit, to approve the New Management Agreement and the proposed annual caps, is set out on pages 41 to 42 of this circular.

In accordance with Rule 13.39(4) of the Listing Rules, the votes to be taken at the EGM will 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.

CMCIM is owned as to 55% by CMG (through its associates) and as to 45% by Victor Chu China Investment Limited. As at the Latest Practicable Date, the associates of CMG collectively held 42,022,041 Shares (representing 27.59% interests in the Company), whereas Victor Chu China Investment Limited and/or its associates collectively held 3,030,024 Shares (representing 1.99% interests in the Company). Therefore, the respective associates of CMG and Victor Chu China Investment Limited and/or its respective associates, as the case may be, are entitled to exercise control over the voting right in respect of 45,052,065 Shares (representing 29.58% interests in the Company) and deemed to have material interests in the transaction contemplated under the New Management Agreement and shall abstain from voting at the EGM.



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## LETTER FROM THE BOARD

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### **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 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 1609, Three Pacific Place, 1 Queen's Road East, 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.

### **RECOMMENDATION**

Your attention is drawn to the letters from the Independent Board Committee and Altus Capital set out on pages 14 to 15 and pages 16 to 29 of this circular, respectively. The Independent Board Committee, having taken into account the advice of Altus Capital, considers that the terms of the New Management Agreement, including the proposed annual caps, are on normal commercial terms and are fair and reasonable so far as the interests of the Independent Shareholders are concerned and that the New Management Agreement is entered into in the ordinary and usual course of business of the Company and is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors, excluding Ms. KAN Ka Yee, Elizabeth who did not express her views due to possible conflict of interest by virtue of her beneficial interest in CMCIM, recommend that all Independent Shareholders should vote in favour of the relevant resolution to be proposed at the EGM.

### **ADDITIONAL INFORMATION**

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

By Order of the Board  
**WANG Xiaoding**  
*Director*



**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)**

8 November 2021

*To the Independent Shareholders*

Dear Sir or Madam,

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

We refer to the circular of the Company dated 8 November 2021 (the “**Circular**”) to the Shareholders, of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

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

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

Your attention is drawn to the “Letter from the Board” set out on pages 4 to 13 of the Circular which contains, inter alia, information about the terms of the New Management Agreement and the proposed annual caps, and the “Letter from Altus Capital” set out on page 16 to 29 of the Circular which contains its advice in respect of the transaction contemplated under the New Management Agreement and the proposed annual caps together with the principal factors taken into consideration in arriving at such.

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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

Yours faithfully,

**LIU Baojie                      TSANG Wah Kwong                      LI Fang**  
**GONG Shaolin                      Michael Charles VITERI**

*Independent Board Committee*

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## LETTER FROM ALTUS CAPITAL

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*The following is the text of a letter of advice from Altus Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the transaction contemplated under the New Management Agreement and the proposed annual caps, which has been prepared for the purpose of incorporation in this circular.*

# ALTUS.

Altus Capital Limited  
21 Wing Wo Street  
Central  
Hong Kong

8 November 2021

*To the Independent Board Committee and  
the Independent Shareholders*

**China Merchants China Direct Investments Limited**  
1609, Three Pacific Place  
1 Queen's Road East  
Hong Kong

Dear Sir or Madam,

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

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed re-appointment of CMCIM as the Company's investment manager (the "**Investment Manager**") for the Management Period, immediately following the expiry date of the Existing Management Agreement on 31 December 2021. Details of the transaction are set out in the "Letter from the Board" contained in the circular of the Company dated 8 November 2021 (the "**Circular**"), of which this letter forms part. Terms used herein shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 18 October 2021, the Company entered into the New Management Agreement with CMCIM in relation to the proposed re-appointment of CMCIM as the Investment Manager for a fixed term of three years, commencing on 1 January 2022 and ending on 31 December 2024.

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## LETTER FROM ALTUS CAPITAL

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CMCIM, as the Investment Manager since 1993, is a connected person of the Company pursuant to Rule 14A.08 of the Listing Rules. Accordingly, the transaction contemplated under the New Management Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the proposed annual caps for the fees payable under the New Management Agreement for each of the three years ending 31 December 2024 exceed 5%, the transaction contemplated thereunder is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under the Listing Rules.

### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely, Mr. LIU Baojie, Mr. TSANG Wah Kwong, Dr. LI Fang, Dr. GONG Shaolin and Mr. Michael Charles VITERI, has been established to consider the New Management Agreement and the transaction contemplated thereunder, including the proposed annual caps, and to give advice and recommendation to the Independent Shareholders as to (i) whether the New Management Agreement is entered into in the ordinary and usual course of business of the Company and is in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the New Management Agreement, including the proposed annual caps, are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned; and (iii) how to vote on the relevant resolution to be proposed at the EGM.

### THE INDEPENDENT FINANCIAL ADVISER

As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the New Management Agreement is entered into in the ordinary and usual course of business of the Company and is in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the New Management Agreement, including the proposed annual caps, are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution to be proposed at the EGM.

We have not acted as an independent financial adviser or financial adviser for other transactions of the Company in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the New Management Agreement and the transaction contemplated thereunder (including the proposed annual caps) is at market level and not conditional upon successful passing of the relevant resolution at the EGM, and that our engagement is on normal commercial terms, we are independent of and not associated with the Company, its controlling shareholder(s) or connected person(s).

### BASIS OF OUR OPINION

In formulating our opinion, we have reviewed, amongst others, (i) the New Management Agreement and the Existing Management Agreement; (ii) the Company's annual reports for the years ended 31 December 2018, 2019 and 2020 respectively; (iii) the Company's interim report for the six months ended 30 June 2021 (the "2021 Interim Report"); and (iv) other information as set out in the Circular.

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## LETTER FROM ALTUS CAPITAL

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We have also relied on the statements, information, opinions, and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all statements, information, opinions, and representations contained or referred to in the Circular and/or provided to us were true, accurate, and complete at the time they were made and continued to be so as at the date of the EGM. The Independent Shareholders will be informed as soon as practicable when we are aware of any material change in all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the Management.

We have no reason to believe that any statements, information, opinions, or representations relied on by us in forming our opinion is untrue, inaccurate or misleading at the time they were made or will be untrue, inaccurate or misleading as at the date of the EGM, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us to be untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Company contained or referred to in the Circular and/or provided to us by the Company and the Management have been reasonably made after due and careful enquiry. We consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Company.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

#### **1. INFORMATION OF THE COMPANY AND CMCIM**

The Company is an investment company listed on the Main Board of the Stock Exchange under Chapter 21 of the Listing Rules. The Company specialises 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 through the secondary securities market.

As at the Latest Practicable Date, the Company has a market capitalisation of approximately HK\$1.43 billion on the basis of HK\$9.41 per Share and 152,333,013 Shares in issue. As at 30 September 2021, the latest practicable date for ascertaining the unaudited consolidated net asset value per share of the Company prior to the date of the Circular, the unaudited consolidated net asset value per Share was approximately US\$5.246 (equivalent to approximately HK\$40.82 per Share).

CMCIM is a fund management company which manages the investment portfolio and deals with day-to-day administration of the Company. CMCIM has been providing investment management services to the Company since 15 July 1993. Pursuant to the terms of the Existing Investment Agreement, CMCIM is responsible for identifying and researching prospective investments for the Company. The Board is responsible for formulating the Company’s overall investment strategy and guidelines that CMCIM shall follow in making investments.

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## LETTER FROM ALTUS CAPITAL

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### 2. The New Management Agreement

Save for the reduction in the amount of annual management fee charged on the Un-invested Portion of the Assets of the Company from 0.50% of the book value to zero, the terms of the New Management Agreement are in all material respects the same as the terms of the Existing Management Agreement which was approved by the Independent Shareholders in 2018. Principal terms of the New Management Agreement are set out in the section headed “Principal terms” in the “Letter from the Board” of the Circular.

#### *Comparable investment management agreements*

In order to assess the fairness and reasonableness of the management fee and performance fee in the New Management Agreement, we have conducted a research of the remuneration packages adopted by investment companies that are listed on the Stock Exchange under Chapter 21 of the Listing Rules. As far as we are aware, we have identified an exhaustive and complete list of 22 companies (excluding the Company). Shareholders should note that such companies may not be able to represent a direct comparison to the Company due to the differences in assets size, financial performance, investment objective and portfolio, operation and prospect of the investment companies. Out of the abovementioned 22 companies, there are:

- (i) four companies that appear to (a) have not publicly disclosed the amount of or basis of the investment management fee; or (b) have internalised their investment management function;
- (ii) 12 companies that only have a fixed management fee with no performance/incentive fee;

Such companies principally invested mainly in listed and unlisted securities with an objective to achieve earnings in the form of medium to long term capital appreciation. In addition, six of these 12 investment companies are managed by the same investment manager. All of the investment managers of the above companies tend to agree to charge a fixed management fee without any performance fee in their investment management agreement. We believe this may be due to the role of the investment manager is different from that of CMCIM, and is limited to identifying, reviewing and evaluating investment and divestment opportunities, providing investment recommendations to the investment committee of the investment company, executing investment and divestment decisions in accordance with the instructions of the investment committee of the investment company. We also wish to add that a fixed fee arrangement may lack incentive to encourage the investment manager to enhance the performance of the Company.

- (iii) one company that is in the process of liquidation;
- (iv) two companies that only have a management fee charged at a certain percentage of net asset value with no performance/incentive fee; and
- (v) three companies that have a management fee charged at a certain percentage of the net asset value and a performance fee subject to high watermark mechanism.

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## LETTER FROM ALTUS CAPITAL

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In view of the above, it appears that there are different structures and criteria to the compensation package in terms of management fee and performance/incentive fee charged by the investment managers of the abovementioned 22 companies; and each investment company may have its unique structure of the compensation package to serve its own purpose.

Considering the above, we have excluded the 16 companies covered in (i) and (ii) above which have no public information or only have fixed management fee arrangement. In addition, the company covered in (iii) had been suspended due to the announcement of winding up petition which we consider information of the company was no longer useful and as such have excluded this company from our comparable analysis. Hence, we have identified an exhaustive and complete list of five comparables which have a remuneration arrangement (i.e. management fee cum performance fee) similar to that of the Company (the “**Comparables**”). Details of the remuneration packages granted by the Comparables to their respective investment managers are summarised below. In general, a high watermark provision refers to a mechanism where the payment of performance/incentive fee is subject to improvement in the performance or financial position relative to a particular reference period and/or the last time when such performance/incentive fee was paid.

	<b>Company (stock code)</b>	<b>Date of the existing management agreement</b>	<b>Net asset value (approximately) based on the latest published financial statements</b>	<b>Management fee basis</b>	<b>Performance fee/ Incentive fee basis</b>
1	China Financial International Investments Ltd (721)	27 April 2020	HK\$727,528,000 as at 30 June 2021	Monthly in arrears at the rate of 0.75% per annum of the aggregate market value of the portfolio(s) managed by it on the last business day of each calendar month.	N/A
2	Cocoon Holdings Limited (428)	28 February 2020 and 7 December 2020	HK\$175,073,000 as at 30 June 2021	0.80% per annum on the net asset value as per the management account of the company of the preceding month with an annual cap of HK\$2,980,000 (or such other higher limits to be mutually agreed in good faith between the company and its investment manager).	N/A



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## LETTER FROM ALTUS CAPITAL

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	<b>Company (stock code)</b>	<b>Date of the existing management agreement</b>	<b>Net asset value (approximately) based on the latest published financial statements</b>	<b>Management fee basis</b>	<b>Performance fee/ Incentive fee basis</b>
3	Shanghai International Shanghai Growth Investment Ltd (770)	17 March 2020	US\$3,369,531 as at 30 June 2021	Payable quarterly in advance at 0.5% of the net asset value (being 2% per annum on the net asset value) (calculated before deductions of the fees payable to the investment manager, and the custodian for that quarter) of the company calculated on the last business day of the previous quarter.	20% of the amount by which the net asset value as at 31 December in the calculation year exceeds the high watermark.
4	UBA Investments Ltd (768)	25 January 2019	HK\$104,686,000 as at 31 March 2021	1.5% per annum of the net asset value of UBA group as at the immediately preceding valuation date on the basis of the actual number of days in the relevant calendar month over a year of 365 days.	The company will pay Upbest Assets Management Limited the performance fee for the relevant financial year in Hong Kong dollars equal to 20% of the amount by which the net asset value as at the end of the relevant financial year exceeds the high watermark.

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## LETTER FROM ALTUS CAPITAL

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	<b>Company (stock code)</b>	<b>Date of the existing management agreement</b>	<b>Net asset value (approximately) based on the latest published financial statements</b>	<b>Management fee basis</b>	<b>Performance fee/ Incentive fee basis</b>
5	Wealthking Investments Ltd (1140)	7 April 2021	HK\$4,527,180,000 as at 31 March 2021	<p>For the first year of the investment management agreement, the management fee will be calculated at 0.012% per annum of the net asset value of the Wealthking group as at the immediately preceding last dealing day on the Stock Exchange in each calendar month on the basis of the actual number of days in the relevant calendar month over a year of 360 days.</p> <p>From the second year of the investment management agreement, the management fee will be calculated at such other percentage figure agreed from time to time between the investment manager and the company as at the immediately preceding last dealing day on the Stock Exchange in each calendar month on the basis of the actual number of days in the relevant calendar month over a year of 360 days.</p>	30% of the appreciation in the net asset value per share, calculated as at the relevant performance fee valuation day over the base net asset value per share for each share then in issue.

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**LETTER FROM ALTUS CAPITAL**

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<b>Company (stock code)</b>	<b>Date of the new management agreement</b>	<b>Net asset value (approximately) based on the latest published financial statements</b>	<b>Management fee basis</b>	<b>Performance fee/ Incentive fee basis</b>
<b>The Company (133)</b>	18 October 2021	US\$829,175,231 as at 30 June 2021	<p>The aggregate of:</p> <ul style="list-style-type: none"> <li>(a) on the Invested Portion of the Assets of the Company represented by unlisted securities or interests: 2.00% of the book value (net of taxes); and</li> <li>(b) on the Invested Portion of the Assets of the Company represented by securities listed on a recognised stock exchange: <ul style="list-style-type: none"> <li>(i) during the lockup period following listing: 2.00% of the book value (net of taxes);</li> <li>(ii) for the one year after the lockup period lapses: 1.75% of the book value (net of taxes);</li> <li>(iii) thereafter: 1.50% of the book value (net of taxes); and</li> <li>(iv) in respect of listed securities purchased from the secondary securities market: 1.50% of the book value (net of taxes).</li> </ul> </li> </ul>	8.00% of the amount by which the NAV as at the end of the relevant financial year (as Adjusted) exceeds the High Watermark.

Note: the book value (net of taxes) of unlisted securities or interests mentioned above is based on fair value; whilst the book value (net of taxes) of listed securities mentioned above is based on mark to market value.

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## LETTER FROM ALTUS CAPITAL

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### *Management fee analysis*

We note that the management fee is based on the book value (net of taxes) of the Invested Portion of the Assets of the Company. Based on the Management's explanation, we understand that the tax is referring to the deferred taxation of unrealised capital gains for investments. According to the 2021 Interim Report, the Company had no outstanding bank loans as at 30 June 2021. Hence, the management fee structure of the Company (based on book value net of taxes) is comparable to the management fee structure of the Comparables, which are mostly based on net asset value. Based on the above analysis, we are of the view that it is fair and reasonable to set the management fee structure of the Company with reference to book value (net of taxes), which is in essence the net asset value, being the same basis as that adopted by the Comparables.

Based on our review of the management fee structure of the Comparables, we note that the investment managers of the Comparables charge a management fee rate ranging from 0.012% to 2% per annum based on their respective net asset value. Based on the Company's management fee structure, we note that the maximum management fee rate (assuming all the Assets of the Company are either (i) unlisted securities or interests; or (ii) securities listed on a recognised stock exchange during the lockup period following listing) would be 2.00%, while on the high end, is within the Comparables' management fee rate range. We note that the Company's NAV is the highest among the Comparables, mainly due to the Company's investment in diverse and wide range of investment projects. As such, the Company's investment manager requires more research and work on the investment projects than the Comparables.

In view of (i) the satisfactory and long-term services provided by CMCIM given that CMCIM has been providing investment management services to the Company for over 28 years; (ii) the Company's net asset value has increased significantly from US\$139,030,538 as at 31 December 2004 to US\$775,430,779 as at 31 December 2020, representing a compound annual growth rate of approximately 11.3% (taking no account of cash dividends paid and Shares buy-back of US\$163,598,146 during the period), and the Company's net asset value has further increased to US\$829,175,231 as at 30 June 2021; (iii) the management fee rate under the New Management Agreement falls within the management fee range of the Comparables; and (iv) the management fee will be charged only on the Invested Portion of the Assets of the Company while the Comparables have no such differentiation, we are of the view that the basis of the management fee under the New Management Agreement is fair and reasonable.

### *Performance fee analysis*

Based on the performance fees adopted by the Comparables as shown above, we note that there are varying structures in the performance fee basis of different Comparables. In particular, some Comparables have adopted high watermark provisions, such that a performance fee will only be paid if the net asset value of the Comparable as at the end of the relevant financial year is higher than (i) the net asset value as at the end of the latest financial year in which a performance fee was paid; and (ii) the net asset value as at a specific date.

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## LETTER FROM ALTUS CAPITAL

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We note that the performance fee rate of 8.00% pursuant to the New Management Agreement is lower than those of the Comparables (save for Cocoon Holdings Limited and China Financial International Investments Limited, where their investment management agreement did not cater for any performance fee — it appears that such was a commercial arrangement between the subject listed investment company and the investment manager). Accordingly, we are of the view that the terms of the performance fee pursuant to the New Management Agreement to be commercially justifiable and beneficial to the Company and the Shareholders as a whole.

Based on the analysis above, and in particular (i) the remuneration arrangements adopted by the Comparables varies with different structures; (ii) the management fee rates under the New Management Agreement is comparable with the management fees charged by the Comparables; (iii) the performance fee rate under the New Management Agreement is lower than that of those Comparables which adopt a high watermark provision; (iv) the satisfactory and long-term services provided by CMCIM given that CMCIM has been providing investment management services to the Company for over 28 years; and (v) during the past 18 years the Company's net asset value has increased significantly, we are of the view that the remuneration basis adopted by the Company is commercially justifiable and is fair and reasonable as far as the Company and the Independent Shareholders are concerned.

### **Term of appointment**

Pursuant to the New Management Agreement, the appointment of CMCIM is for a fixed term commencing on 1 January 2022 and ending on 31 December 2024, conditional upon the approval by the Independent Shareholders at the EGM in accordance with the requirements of the Listing Rules.

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

Given the above, and also the importance of the continuity of management services provided by investment managers to investment companies, we consider that the term of the New Management Agreement is fair and reasonable and is on normal commercial terms.

### **3. Reasons and benefits of the New Management Agreement**

As disclosed in the "Letter from the Board" of the Circular, and as discussed in paragraph headed "1. Information of the Company and CMCIM" above, CMCIM is a fund management company which manages the investment portfolio and deals with the day-to-day administration of the Company. Pursuant to the New Management Agreement, CMCIM shall undertake all investment and management duties arising pursuant to the operation of the Company and its responsibilities shall include identifying and evaluating investment opportunities, executing investment decisions,

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## LETTER FROM ALTUS CAPITAL

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monitoring and enhancing investments of the Company, making decisions on investments and realizations for the Company in accordance with the investment objectives and policy of the Company as described in the Prospectus and as from time to time laid down by the Directors, managing the corporate affairs of the Company and dealing with its day-to-day administration.

Given the above, and also taking into consideration of the background of the Company as an investment company, we are of the view that the entering into of the New Management Agreement by the Company with CMCIM is in the ordinary and usual course of business of the Company.

Also disclosed in the “Letter from the Board” of the Circular, we note that CMCIM has been providing investment management services to the Company since 15 July 1993. The Management is of the view, and we concur, that it would be in the interests of the Company and the Shareholders as a whole to continue the existing relationship with CMCIM. Given that CMCIM has been the investment manager of the Company since its listing in 1993, the growth of the Company’s investment portfolio, which directly affects its total net asset value, could only be attributable to CMCIM, particularly where the Company has not in the recent past utilised debt or conducted major equity fund-raising to provide funds for its investing operations. Based on our discussion with the Management, we also understand that the abovementioned success of the Company can be attributed to the contributions made by CMCIM, in particular, its extensive connections in the PRC.

Furthermore, the Company’s relationship with CMG and Victor Chu China Investment Limited has secured some valuable investments for the Company. In addition, according to the Company’s annual reports and the 2021 Interim Report, we note that the Company’s net asset value experienced growth since the year ended 31 December 2018 (refer to the table set out below in the section headed “4. The proposed annual caps”) when the Company’s net asset value increased from US\$575,055,168 as at 31 December 2018 to US\$775,430,779 as at 31 December 2020 and further increased to US\$829,175,231 as at 30 June 2021. Despite fluctuations of the Company’s net asset value during the period of 2015 to 2018, we note that the overall trend of the Company’s net asset value experienced a substantial growth since 31 December 2014 to 30 June 2021. Having considered the Company’s recovery progress, the Management is of the view, and we concur, that the implementation of investment strategies by CMCIM were satisfactory under a relative subdued market condition given that (i) pressures in restraining China’s economic growth; and (ii) the trend and effect of the coronavirus pandemic to the economy.

Based on the above, we are of the view that it would not be commercially sensible or necessary to suggest another fund management company to take over the management of the Company as CMCIM has provided investment management services to the Company for over 28 years and has a strong track record which has demonstrated its capabilities to secure valuable investments for the Company. In particular, taking into consideration that the Company’s investment objective is to identify new investment projects in the PRC, CMCIM’s knowledge of and relationships with the existing investee companies are valuable, and therefore maintaining the continuing relationship would be beneficial to the Company and the Shareholders as a whole.

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## LETTER FROM ALTUS CAPITAL

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### 4. The proposed annual caps

Set out below is a summary of (i) the historical transaction amount in respect of the remuneration paid to CMCIM under the Existing Management Agreement; and (ii) the proposed annual caps for the three years ending 31 December 2024.

	Historical transaction amount			Proposed annual caps		
	For the year ended		For	For the year ending		
	31 December		the six	31 December		
	2019	2020	months	2022	2023	2024
		ended 30				
		June				
		2021				
		US\$				
		(audited)				
		(audited)				
		(unaudited)				
Management fee	11,032,351	11,511,019	7,026,361			
Performance fee	—	9,587,735	—			
Total remuneration payable	11,032,351	21,098,754	7,026,361			
<b>Annual cap</b>	<b>72,000,000</b>	<b>74,000,000</b>	<b>76,000,000</b>	<b>72,000,000</b>	<b>74,000,000</b>	<b>76,000,000</b>

We have discussed with the Management regarding the calculation of the proposed annual caps and understand that they have taken into account of (i) the potential growth in the underlying value of the investment portfolio of the Company, in particular, the potential increase in value as a result of the potential listing of some of its unlisted investments in the PRC and the potential increase in value of its unlisted and listed investments; (ii) the historical record of the management fee and performance fee paid to CMCIM; and (iii) the revised management fee and performance fee rates under the New Management Agreement.

According to the 2021 Interim Report and based on our discussion with the Management, the operating results of the Company's investment projects are likely to resurge to a certain extent as due to (i) China's economic growth is gradually returning to normal in 2021; and (ii) China's economic restructuring is at a new starting point in the "14<sup>th</sup> Five-Year" plan which states that the plan covers a range of areas enhancing the development of insurance, technology, healthcare and life sciences, which are expected to benefit the investments in the Company's portfolio. As such, the Company has invested and intends to continue to seek for investment opportunities in the PRC.

On the other hand, after considering (i) China Merchants Bank Co., Ltd. represented a substantial portion of the investment portfolio held by the Company in the financial services sector; and (ii) China Merchants Bank Co., Ltd. experienced steady improvement in its net profit with a compound annual growth rate of approximately 10.1% from 2018 to 2020, which further increased by approximately 25.9% on an annualised basis for the six months ended 30 June 2021, we are of the view that the value of Company's investment portfolio in the financial services sector may grow steadily in the future.

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## LETTER FROM ALTUS CAPITAL

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Taking into account the above and the Company's investment focus on the financial industry with an emphasis on the insurance sector, on emerging technology industries featuring AI, on great cultural industry with an emphasis on culture and tourism, and on great healthcare industry with an emphasis on medicine and healthcare, we therefore are of the view that it is reasonable to expect the Company's investment portfolio value to grow steadily going forward. In addition, it is noted in the 2021 Interim Report that the Company placed its investment focus on the healthcare industry with an emphasis on medicine and healthcare, as well as the information technology industry. In the view of ongoing coronavirus pandemic and the vast population in the PRC, as well as the PRC's continuous digitalisation, we believe that there exists growing opportunities and demand in those industries.

Since the engagement of CMCIM as the investment manager of the Company, CMCIM was only entitled to performance fees under the previous investment management agreements for the financial years 2006, 2007, 2009, 2014, 2015 and 2017, and under the Existing Management Agreement for the financial year 2020, during which years the value of the Company's investment portfolio increased substantially. In particular, the highest amount of annual remuneration paid to CMCIM occurred in 2007 where total management and performance fees paid amounted to approximately US\$121.1 million. Most recently, performance fees in the amount of approximately US\$1.8 million, US\$7.6 million and US\$9.6 million were paid to CMCIM for the year ended 31 December 2015, 2017 and 2020 respectively. Given that the performance fee is directly related to the valuation of the investment portfolio of the Company, which may fluctuate from year to year due to its volatile nature, we are of the view that it is appropriate to refer to the highest historical amount of performance fee paid in prior years and also considering the performance fee rate under the New Management Agreement for determining the proposed annual caps.

We also note that the remuneration paid to CMCIM, and hence the proposed annual caps, is affected by the change in net asset value of the Company. Set out below is the net asset value of the Company as extracted from the Company's annual reports and the 2021 Interim Report.

	<b>As at 31 December</b>			<b>As at</b>
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>30 June</b>
	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Net asset value	575.06	649.05	775.43	829.18

Given the above, we are of the view that it is justifiable to set the proposed annual caps at a same level as compared to the previous annual caps for the three years ending 31 December 2024.

Notwithstanding the above, it should be noted that the proposed annual caps do not represent the amounts that will actually be paid to CMCIM. The actual management fee and performance fee payable to CMCIM for the three years ending 31 December 2024 shall be determined based on the terms of the New Management Agreement. Accordingly, the actual remuneration payable for the three years ending 31 December 2024 may not correspond to the proposed annual caps.



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## LETTER FROM ALTUS CAPITAL

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Based on the above, we notice that (i) the potential listing of some of its unlisted investments in the PRC, which is dependent on the market conditions, may have material positive impacts on the growth of the Company's net asset value; and (ii) the historical high performance fee recorded in the past as well as the fact that the performance fee payable to the Investment Manager is directly related to the valuation of the investment portfolio of the Company which may fluctuate year to year subject to the market conditions. As such, even though that the utilisation rate of the historical annual caps was relatively low, being approximately 15.3% and 28.5% respectively in 2019 and 2020 which may be attributable to the relatively subdued market conditions during the past few years, we have catered for the aforementioned considerations and are of the view that setting the proposed annual caps at such level is fair and reasonable.

### RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that (i) the New Management Agreement is entered into in the ordinary and usual course of business of the Company and is in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the New Management Agreement, including the proposed annual caps, and the transaction contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolution to be proposed at the EGM to approve the New Management Agreement (including the proposed annual caps) and the transaction contemplated thereunder at the EGM.

Yours faithfully,  
For and on behalf of  
**Altus Capital Limited**

**Jeanny Leung**  
*Executive Director*

*Ms. Jeanny Leung (“Ms. Leung”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activities under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions.*

## 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 interests 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) (i) 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 (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

<u>Name of Director</u>	<u>Capacity</u>	<u>Number of Shares interested</u>	<u>Approximate percentage of shareholding</u>
Mr. WANG Xiaoding	Beneficial owner	116,000	0.08%

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), to be notified to the Company and the Stock Exchange, 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 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:

- (a) Mr. ZHOU Xing is a standing member of the executive committee of China Merchants Financial Services Business Unit under China Merchants Group Limited;

- (b) Mr. ZHANG Rizhong is a director and the general manager of China Merchants Investment Development Company Limited, which is a wholly owned subsidiary of China Merchants Group 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, interests 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 and underlying shares of the Company

Shareholder	Long/ short position	Capacity	Number of Shares interested	Approximate percentage of shareholding
China Merchants Group Limited ( <i>Note</i> )	Long position	Interest of controlled corporation	42,022,041	27.59%
China Merchants Steam Navigation Company Limited ( <i>Note</i> )	Long position	Interest of controlled corporation	42,022,041	27.59%
China Merchants Finance Investment Holdings Co., Ltd. ( <i>Note</i> )	Long position	Interest of controlled corporation	42,022,041	27.59%
CMF Holdings Limited ( <i>Note</i> )	Long position	Interest of controlled corporation	42,022,041	27.59%
Good Image Limited	Long position	Beneficial owner	42,022,041	27.59%
Lazard Asset Management LLC	Long position	Investment manager	28,990,206	19.03%

*Note:* China Merchants Group Limited, China Merchants Steam Navigation Company Limited, China Merchants Finance Investment Holdings Co., Ltd. and CMF Holdings 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. ZHOU Xing is a 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. ZHANG Rizhong is a director and the general manager of China Merchants Investment Development Company Limited which is actively involved in direct investments in the PRC and which may compete, either directly or indirectly, with the business of the Group. Ms. KAN Ka Yee, Elizabeth is a director 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., China Merchants Investment Development Company Limited and First Eastern Investment Group. If conflict of interest arises on the part of Mr. ZHOU Xing, Mr. ZHANG Rizhong, or Ms. KAN Ka Yee, Elizabeth, as the case may be, he or she shall, pursuant to the Articles of Association, not vote nor 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 or her 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 has entered, or is proposing to enter, into any service contract with the Company or its subsidiaries which is not expiring or may not be terminated by the Company within a year without payment of any compensation (other than statutory compensation).

#### **6. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up.

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

### **The Existing Management Agreement and the New Management Agreement**

CMCIM is engaged as the investment manager of the Company under the Existing Management Agreement. On 18 October 2021, the Company entered into the New Management Agreement with CMCIM in relation to the proposed re-appointment of CMCIM as the Company's investment manager for the Management Period, immediately following the expiry date of the Existing Management Agreement on 31 December 2021. Mr. ZHANG Rizhong, Mr. WANG Xiaoding, Mr. TSE Yue Kit and Ms. KAN Ka Yee, Elizabeth are directors of both the Company and CMCIM. Ms. KAN Ka Yee, Elizabeth has indirect beneficial interest in CMCIM.

Under the New Management Agreement, which is subject to approval by the Independent Shareholders, the appointment of CMCIM is for a fixed term commencing on 1 January 2022 and ending on 31 December 2024. 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 CMCIM under the New 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 New 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, CMCIM, 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 Directors, certain directors and employees of CMCIM, and persons nominated by shareholders of CMCIM (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 Company's total 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 CMCIM, 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 CMCIM. 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 CMCIM.

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 RMB1.50 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 actually 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%
Unibank Media (2nd round capital injection)	4,394,100	87,500	1.991%
China Media Management	676,100	4,500	0.666%
Geesun Intelligent	2,929,500	58,000	1.980%
China Media Investment (1st installment capital contribution)	5,858,300	38,800	0.662%
Jinpower Electrical	3,033,500	60,300	1.988%
China Media Investment (2nd installment capital contribution)	953,500	6,100	0.638%
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%
China Media Investment (6th installment capital contribution)	5,555,100	32,200	0.579%

Name of projects	Original investment amount of the Company <i>US\$*</i>	Original amounts actually paid by the Participants <i>US\$*</i>	Relative proportion
China Media Investment (7th installment capital contribution)	3,352,500	18,900	0.562%
China Media Investment (8th installment capital contribution)	2,055,100	11,500	0.559%
China Media Investment (9th installment capital contribution)	859,600	4,830	0.562%
Oriental Pearl	19,619,100	255,510	1.302%
JIC Leasing	38,781,800	65,810	0.170%
China Re	19,308,300	41,290	0.214%
Jinlanmei Travel (1st installment capital contribution)	1,489,000	14,180	0.952%
Iflytek	18,827,500	33,500	0.178%
Iflytek Venture Capital (1st installment capital contribution)	5,193,900	9,270	0.178%
Iflytek Venture Capital (2nd installment capital contribution)	2,008,800	3,480	0.178%
Qinghai Lake Tourism (1st installment capital contribution)	7,502,800	9,590	0.128%
Qinghai Lake Tourism (2nd installment capital contribution)	22,927,700	28,800	0.126%
Iflytek Venture Capital (3rd installment capital contribution)	2,146,800	3,480	0.178%
The Jiangmen Ventures Fund	4,741,800	20,470	0.432%
Cambricon	5,940,100	90,480	1.523%
Pony AI (1st round capital injection)	8,000,000	35,680	0.446%
Iflytek Venture Capital (4th installment capital contribution)	1,991,910	3,480	0.178%
Pony AI (2nd round capital injection)	607,270	10,200	1.680%
Arashi Vision	4,268,200	26,820	0.632%
iFlytek Healthcare	8,600,700	48,790	0.567%
Iflytek Venture Capital (5th installment capital contribution)	646,170	1,160	0.178%
China UnionPay	31,116,080	51,610	0.166%
Iflytek Venture Capital (6th installment capital contribution)	1,286,760	2,320	0.178%

Name of projects	Original investment amount of the Company US\$*	Original amounts actually paid by the Participants US\$*	Relative proportion
CASREV Fund III (1st installment capital contribution)	1,849,360	2,580	0.140%
CASREV Fund III (2nd installment capital contribution)	1,896,900	2,580	0.140%
Huiyou Xingyao Fund (1st installment capital contribution)	2,469,420	14,900	0.603%
Flexiv	5,000,000	95,450	1.909%
Huashun Xin'an (1st installment capital contribution)	3,669,220	18,510	0.504%
Huashun Xin'an (2nd installment capital contribution)	927,190	4,630	0.504%
Huiyou Xingyao Fund (2nd installment capital contribution)	1,187,000	7,030	0.603%
CASREV Fund III (3rd installment capital contribution)	1,931,490	2,580	0.140%
Xinyi	5,416,700	23,150	0.427%

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

Note: The details of the projects are disclosed in the 2021 interim report of the Company and an announcement of the Company dated 9 September 2021.



In addition, as of the Latest Practicable Date, details of the amounts actually paid by some of the Directors as well as a director of CMCIM for the Scheme were as follows:

Name of projects	Mr.	Mr.	Mr.	Mr. TSE	Mr. LAW
	ZHOU Xing (Note 1) US\$	ZHANG Rizhong (Note 2) US\$	WANG Xiaoding (Note 3) US\$	Yue Kit (Note 4) US\$	Hung Kuen, Janson (Note 5) US\$
Unibank Media (1st round capital injection)	12,900	N/A	20,640	1,290	N/A
Wuhan Rixin	4,390	N/A	3,510	1,290	N/A
Unibank Media (2nd round capital injection)	8,750	N/A	6,950	1,290	N/A
China Media Management	300	N/A	1,160	30	N/A
Geesun Intelligent	1,590	N/A	5,780	1,290	N/A
China Media Investment (1st installment capital contribution)	2,510	N/A	10,040	250	N/A
Jinpower Electrical	6,030	N/A	6,030	1,280	N/A
China Media Investment (2nd installment capital contribution)	390	N/A	1,570	40	N/A
Hwagain	19,330	N/A	12,880	1,290	N/A
China Media Investment (3rd installment capital contribution)	430	N/A	1,710	40	N/A
China Media Investment (4th installment capital contribution)	1,820	N/A	7,260	180	N/A
Chengtian	1,290	N/A	6,440	1,290	N/A
China Media Investment (5th installment capital contribution)	190	N/A	780	20	N/A
China Media Investment (6th installment capital contribution)	2,220	N/A	8,880	220	N/A
China Media Investment (7th installment capital contribution)	1,300	N/A	5,200	130	N/A
China Media Investment (8th installment capital contribution)	790	N/A	3,170	80	N/A
China Media Investment (9th installment capital contribution)	330	N/A	1,330	30	N/A
Oriental Pearl	30,650	N/A	38,870	1,390	N/A
JIC Leasing	12,900	N/A	12,900	1,290	N/A
China Re	6,450	N/A	12,900	1,290	1,290
Jinlanmei Travel (1st installment capital contribution)	N/A	N/A	3,220	640	640
Iflytek	N/A	N/A	12,890	1,290	1,290

Name of projects	Mr.	Mr.	Mr.	Mr. TSE	Mr. LAW
	ZHOU Xing (Note 1) US\$	ZHANG Rizhong (Note 2) US\$	WANG Xiaoding (Note 3) US\$	Yue Kit (Note 4) US\$	Hung Kuen, Janson (Note 5) US\$
Iflytek Venture Capital (1st installment capital contribution)	N/A	N/A	6,440	1,290	1,290
Iflytek Venture Capital (2nd installment capital contribution)	N/A	N/A	970	190	190
Qinghai Lake Tourism (1st installment capital contribution)	N/A	640	3,200	320	320
Qinghai Lake Tourism (2nd installment capital contribution)	N/A	1,920	9,600	960	960
Iflytek Venture Capital (3rd installment capital contribution)	N/A	N/A	970	190	190
The Jiangmen Ventures Fund	N/A	1,280	3,840	1,280	1,280
Cambricon	N/A	6,370	22,940	1,270	1,270
Pony AI (1st round capital injection)	N/A	1,270	6,370	1,270	2,550
Iflytek Venture Capital (4th installment capital contribution)	N/A	N/A	970	190	190
Pony AI (2nd round capital injection)	N/A	1,280	1,280	1,280	1,280
Arashi Vision	N/A	1,280	3,830	1,280	2,550
iFlytek Healthcare	N/A	6,420	19,260	1,280	5,140
Iflytek Venture Capital (5th installment capital contribution)	N/A	N/A	320	60	60
China UnionPay	N/A	3,870	12,900	1,290	3,870
Iflytek Venture Capital (6th installment capital contribution)	N/A	N/A	640	130	130
CASREV Fund III (1st installment capital contribution)	N/A	320	320	320	320
CASREV Fund III (2nd installment capital contribution)	N/A	320	320	320	320
Huiyou Xingyao Fund (1st installment capital contribution)	N/A	1,750	880	880	880
Flexiv	N/A	1,290	20,460	1,290	6,450
Huashun Xin'an (1st installment capital contribution)	N/A	1,030	1,030	1,030	1,030
Huashun Xin'an (2nd installment capital contribution)	N/A	260	260	260	260

Name of projects	Mr. ZHOU Xing	Mr. ZHANG Rizhong	Mr. WANG Xiaoding	Mr. TSE Yue Kit	Mr. LAW Hung Kuen, Janson
	(Note 1) US\$	(Note 2) US\$	(Note 3) US\$	(Note 4) US\$	(Note 5) US\$
Huiyou Xingyao Fund (2nd installment capital contribution)	N/A	830	410	410	410
CASREV Fund III (3rd installment capital contribution)	N/A	320	320	320	320
Xinyi	N/A	6,430	1,290	1,290	N/A

*Note 1: Chairman of the Company (appointed on 26 April 2021)*

*Note 2: Director and chairman of CMCIM*

*Note 3: Director and director & general manager of CMCIM*

*Note 4: Director and director of CMCIM*

*Note 5: Director of CMCIM (resigned on 23 August 2021)*

As at the Latest Practicable Date, save as disclosed, none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Save as disclosed, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which contract or arrangement was subsisting as at the Latest Practicable Date and which is significant in relation to the business of the Group as a whole.

## 8. EXPERT

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

Name	Qualifications
Altus Capital	a corporation licensed to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the transaction contemplated under the New Management Agreement and the proposed annual caps

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

As at the Latest Practicable Date, Altus Capital did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Altus Capital did not have any direct or indirect interest in any assets which have been, since 31 December 2020 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

## **9. GENERAL**

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

## **10. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.cmcdi.com.hk](http://www.cmcdi.com.hk)) from the date of this circular up to and including 29 November 2021, being the date of the EGM:

- (a) the New Management Agreement;
- (b) the Existing Management Agreement;
- (c) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 14 to 15 of this circular;
- (d) the letter issued by Altus Capital, the text of which is set out on pages 16 to 29 of this circular;
- (e) the written consent of Altus Capital referred to under the section headed “Expert” in this Appendix; and
- (f) this circular.

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**NOTICE OF THE EXTRAORDINARY GENERAL MEETING**

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**CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED**

**招商局中國基金有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code : 133)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of China Merchants China Direct Investments Limited (the “**Company**”) will be held on Monday, 29 November 2021, at Tianshan 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 (with or without modifications) as an ordinary resolution of the Company:

**ORDINARY RESOLUTION**

**“THAT:**

- (a) the New Management Agreement as defined and described in the circular of the Company dated 8 November 2021 of which this resolution forms part (the “**Circular**”) (a copy of each of the New Management Agreement and the Circular having been produced at the meeting and marked “A” and “B” respectively and each initialed by the chairman of the meeting for the purpose of identification) and the transaction contemplated thereunder be and is hereby approved, ratified and confirmed;
- (b) the proposed annual caps, as described in the Circular, for the fees payable under the New Management Agreement be and are hereby approved; and
- (c) that the directors of the Company be and are hereby authorized for and on behalf of the Company to execute all such documents and agreements and do such acts or things as they may in their discretion consider to be necessary, desirable or expedient to implement and/or give effect to the terms of the New Management Agreement.”

By Order of the Board  
**WANG Xiaoding**  
*Director*

Hong Kong, 8 November 2021

*Notes:*

- (1) A member entitled to attend, speak and vote at the meeting is entitled to appoint more than one proxy to attend, speak and vote instead of him. A proxy needs not be a member of the Company.

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## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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- (2) In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such authority, must be deposited at the Company's registered office at 1609, Three Pacific Place, 1 Queen's Road East, 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 are Mr. WANG Xiaoding, Mr. TSE Yue Kit and Ms. KAN Ka Yee, Elizabeth; the non-executive Directors are Mr. ZHOU Xing, Mr. ZHANG Rizhong and Mr. KE Shifeng; and the independent non-executive Directors are Mr. LIU Baojie, Mr. TSANG Wah Kwong, Dr. LI Fang, Dr. GONG Shaolin and Mr. Michael Charles VITERI.