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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 and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED

招商局中國基金有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 133)

**DISPOSAL MANDATES IN RELATION TO
THE PROPOSED DISPOSAL OF SHARES IN
(I) INDUSTRIAL BANK CO., LTD.
AND
(II) CHINA MERCHANTS BANK CO., LTD.
POSSIBLE VERY SUBSTANTIAL DISPOSALS**

A letter from the Board is set out on page 4 to 12 of this circular.

A notice convening the extraordinary general meeting of China Merchants China Direct Investments Limited to be held at Narcissus Room, 27/F, The Park Lane Hotel Hong Kong, 310 Gloucester Road, Hong Kong, on Monday, 15 December 2008 at 2:30 p.m. is set out on page 38 to 39 of this circular. Whether or not you are able to attend the meeting, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjourned meeting(s) should you so wish.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Announcement”	the announcement of the Company dated 11 November 2008 in respect of the Proposed Disposals
“Board”	board of Directors
“CBRC”	China Banking Regulatory Commission
“CMB”	招商銀行股份有限公司 (China Merchants Bank Co., Ltd.), a joint-stock commercial bank approved by the CBRC in the PRC with limited liability, whose A and H shares are listed on the SSE and the Stock Exchange respectively
“CMB A Shares”	domestic A shares of CMB subscribed in RMB, issued in the PRC and listed on the SSE
“CMB Disposal Mandate”	the disposal mandate proposed to be granted by the Shareholders to the Directors to dispose of the Disposable CMB A Shares during the Mandate Period
“Company”	China Merchants China Direct Investments Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meanings ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Disposable CMB A Shares”	120,623,078 CMB A Shares, representing the entire number of CMB A Shares that are held by the Group and that are freely tradable
“Disposable INDB A Shares”	79,800,000 INDB A Shares, representing the entire number of INDB A Shares that are held by the Group and that are freely tradable
“EGM”	the extraordinary general meeting proposed to be convened by the Company to consider and, if appropriate, to approve the grant of disposal mandates for the Proposed Disposals
“Group”	the Company, its subsidiaries, jointly controlled entities and associated companies

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“INDB”	興業銀行股份有限公司 (Industrial Bank Co., Ltd.), a joint-stock commercial bank approved by the CBRC in the PRC with limited liability, whose A shares are listed on the SSE
“INDB A Shares”	domestic A shares of INDB subscribed in RMB, issued in the PRC and listed on the SSE
“INDB Disposal Mandate”	the disposal mandate proposed to be granted by the Shareholders to the Directors to dispose of the Disposable INDB A Shares during the Mandate Period
“Investment Manager”	China Merchants China Investment Management Limited, a fund management company incorporated in Hong Kong with limited liability and registered under the SFO
“Latest Practicable Date”	26 November 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mandate Period”	twelve calendar months from the passing of the relevant resolution(s) at the EGM
“PRC”	the People’s Republic of China
“Previous Mandate”	the disposal mandate, granted to the Directors by the Shareholders at the extraordinary general meeting of the Company dated 16 January 2008, to dispose of up to 84,000,000 INDB A Shares subject to certain conditions, details of which were set out in the circular of the Company dated 31 December 2007
“Proposed CMB Disposal”	the proposed disposal of the Disposable CMB A Shares by the Group pursuant under the CMB Disposal Mandate
“Proposed Disposals”	the Proposed INDB Disposal and the Proposed CMB Disposal

DEFINITIONS

“Proposed INDB Disposal”	the proposed disposal of the Disposable INDB A Shares by the Group pursuant under the INDB Disposal Mandate
“Remaining Group”	the Group excluding its investment in the Disposable INDB A Shares or the Disposable CMB A Shares
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of US\$0.1 each in the share capital of the Company
“Shareholders”	shareholders of the Company
“SSE”	Shanghai Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of United States of America for the time being

For illustrative purposes of this circular, RMB 1 = HK\$1.137, US\$1 = HK\$7.7985 and US\$1 = RMB6.8591

LETTER FROM THE BOARD



CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED

招商局中國基金有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 133)

Executive Directors:

Mr. LI Yinquan (*Chairman*)

Mr. HONG Xiaoyuan

Mr. CHU Lap Lik, Victor

Ms. ZHOU Linda Lei

Mr. TSE Yue Kit

Ms. KAN Ka Yee, Elizabeth

(Alternate to Mr. CHU Lap Lik, Victor)

Registered office:

1803, China Merchants Tower

Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

Independent non-executive Directors:

Mr. KUT Ying Hay

Mr. WANG Jincheng

Mr. LI Kai Cheong, Samson

29 November 2008

To the Shareholders

Dear Sir or Madam,

**DISPOSAL MANDATES IN RELATION TO
THE PROPOSED DISPOSAL OF SHARES IN
(I) INDUSTRIAL BANK CO., LTD.**

AND

**(II) CHINA MERCHANTS BANK CO., LTD.
POSSIBLE VERY SUBSTANTIAL DISPOSALS**

INTRODUCTION

Reference is made to the Announcement on the Proposed Disposals. The purpose of this circular is to provide you with the information relating to the details of, and other disclosures in connection with the Proposed Disposals required under the Listing Rules, the notice of EGM for approving the Proposed Disposals and other information required by the Listing Rules.

LETTER FROM THE BOARD

THE PROPOSED INDB DISPOSAL

The Directors wish to announce that it is proposed to seek a disposal mandate from the Shareholders to allow the Directors to dispose of the Disposable INDB A Shares, which represent a total of 79,800,000 INDB A Shares held by the Group that are freely tradable on the SSE during the Mandate Period. The Group presently does not have any discussion with any party to dispose of the Disposable INDB A Shares. Nevertheless, the Directors believe that it would be in the best interests of the Group to have the flexibility of disposing of the Disposable INDB A Shares.

The INDB A Shares are listed on the SSE and, as at the date of the Announcement, the Group beneficially owns 79,800,000 INDB A Shares, representing approximately 1.596% interest of INDB. The Disposable INDB A Shares represent the entire interest of the Group held in INDB.

The Shareholders had granted to the Board a Previous Mandate to dispose of up to 84,000,000 INDB A Shares for a period of 12 months from 16 January 2008 at the extraordinary general meeting of the Company held on 16 January 2008. Pursuant to the Previous Mandate and as at 31 October 2008, the Group disposed of an aggregate of 4,200,000 INDB A Shares. If the INDB Disposal Mandate is to be granted to the Directors at the EGM, the Previous Mandate will be revoked.

If the Group proceeds with the Proposed INDB Disposal and on the assumption that all the Disposable INDB A Shares held by the Group are to be disposed of, the Proposed INDB Disposal may constitute a very substantial disposal of the Company under Chapter 14 of the Listing Rules. The Company will seek the INDB Disposal Mandate for the Proposed INDB Disposal at the EGM at the following terms:

1. the Group will dispose of the Disposable INDB A Shares in the open market through the SSE's trading system;
2. the selling price of the INDB A Shares will be the market price of the INDB A Shares at the relevant times. Market price refers to the price allowed under the trading system of the SSE, but will not be less than RMB7.78 (equivalent to approximately HK\$8.85) per INDB A Share which was determined with reference to the 2007 audited net asset value per share of INDB and the valuation of listed international banks and reflected the minimum selling price acceptable to the Directors; and
3. the disposal mandate is for a 12-month period from the passing of the relevant resolution(s) at the EGM.

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

Under the INDB Disposal Mandate proposed to be granted to the Directors, the Group may dispose of the Disposable INDB A Shares on the SSE through its trading mechanisms, e.g. the bidding price dealing system. The Group will delegate to the Investment Manager to

LETTER FROM THE BOARD

handle all matters relating to the Proposed INDB Disposal. In addition, the Company will form a board committee consisting of two members of the investment committee of the Company to monitor the process of execution of disposal orders, and requires the Investment Manager to report and clear with the board committee after the sales of approximately every 5% of the Disposable INDB A Shares. All elaborations and decisions in relation to the timing, price and amount of the Proposed INDB Disposal will be kept confidential.

INFORMATION ABOUT INDB

According to the annual report 2007 of INDB, INDB has over 390 branches and offices throughout the PRC. As of 31 December 2007, INDB had a registered capital of RMB5,000 million following the launching of initial public offerings on the SSE in February 2007. The main business activities of INDB include: taking deposits from the public; granting short, medium and long-term loans; handling domestic and international settlements; handling bills acceptances and discounting; issuing financial bonds; acting as agent for the issue and encashment of and underwriting government bonds; trading government bonds and financial bonds; handling the trading of derivative products (except for stocks and commodities related derivative products) issued by financial institutions; providing custodial services for securities investment funds and social security funds; engaging in inter-bank lendings and borrowings; trading foreign currencies, either on its own behalf or on behalf of clients; providing foreign exchange services; engaging in credit card business; providing letters of credit and guarantees services; providing agency collections and payments services; providing safe box services; and other businesses approved by the CBRC.

The following sets out a summary of financial information of INDB for the two years ended 31 December 2007 which were prepared under the PRC accounting standards:

	For the year ended 31 December			
	2007		2006	
	<i>(RMB million)</i>	<i>HK\$ million</i>	<i>(RMB million)</i>	<i>HK\$ million</i>
	(audited)	equivalent	(audited)	equivalent
Profit before taxation	10,910	12,405	5,046	5,737
Profit after taxation	8,586	9,762	3,798	4,318
Net asset value	38,897	44,226	16,200	18,419

As at 31 December 2007, the audited consolidated net asset value of INDB amounted to approximately RMB38,897 million (equivalent to approximately HK\$44,226 million). The Group held a 1.68% and 2.10% interest of INDB in 2007 and 2006 respectively. The audited net asset value attributable to the INDB A Shares held by the Group was approximately RMB653 million (equivalent to approximately HK\$742 million) as at 31 December 2007. Dividend income received by the Group from INDB amounted to approximately US\$2.87 million (equivalent to approximately HK\$22.38 million) in 2007 and nil in 2006. The fair value gain on INDB attributable to the Group amounted to approximately US\$494.16 million (equivalent to approximately HK\$3,853.71 million) in 2007 and US\$31.26 million (equivalent to approximately HK\$243.78 million) in 2006.

LETTER FROM THE BOARD

Based on the carrying amount of the Disposable INDB A Shares as at 31 December 2007 which was US\$532.16 million (equivalent to approximately HK\$4,150.05 million) and the minimum price of RMB7.78 (equivalent to approximately HK\$8.85), the expected realized accounting loss on the disposal of the Disposable INDB A Shares is US\$441.99 million (equivalent to approximately HK\$3,446.86 million).

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

The closing price of INDB A Shares as quoted on the SSE on the last trading day of the INDB A Shares immediately before the date of the Announcement was RMB15.13 (equivalent to approximately HK\$17.20).

THE PROPOSED CMB DISPOSAL

The Directors wish to announce that it is proposed to seek a disposal mandate from the Shareholders to allow the Directors to dispose of the Disposable CMB A Shares, which represent a total of 120,623,078 CMB A Shares held by the Group that are freely tradable on the SSE during the Mandate Period. The Group presently does not have any discussion with any party to dispose of the Disposable CMB A Shares. Nevertheless, the Directors believe that it would be in the best interests of the Group to have the flexibility of disposing of the Disposable CMB A Shares.

The CMB A Shares are listed on the SSE and, as at the date of the Announcement, the Group beneficially owns 120,623,078 CMB A Shares, representing approximately 0.82% interest of CMB. The Disposable CMB A Shares represent the entire interest of the Group held in CMB.

If the Group proceeds with the Proposed CMB Disposal and on the assumption that all the Disposable CMB A Shares held by the Group are to be disposed of, the Proposed CMB Disposal may constitute a very substantial disposal of the Company under Chapter 14 of the Listing Rules. The Company will seek the CMB Disposal Mandate for the Proposed CMB Disposal at the EGM at the following terms:

1. the Group will dispose of the Disposable CMB A Shares in the open market through the SSE's trading system;
2. the selling price of the CMB A Shares will be the market price of the CMB A Shares at the relevant times. Market price refers to the price allowed under the trading system of the SSE, but will not be less than RMB4.62 (equivalent to approximately HK\$5.25) per CMB A Share which was determined with reference to the 2007 audited net asset value per share of CMB and the valuation of listed international banks and reflected the minimum selling price acceptable to the Directors; and
3. the disposal mandate is for a 12-month period from the passing of the relevant resolution(s) at the EGM.

LETTER FROM THE BOARD

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

Under the CMB Disposal Mandate proposed to be granted to the Directors, the Group may dispose of the Disposable CMB A Shares on the SSE through its trading mechanisms, e.g. the bidding price dealing system. The Group will delegate to the Investment Manager to handle all matters relating to the Proposed CMB Disposal. In addition, the Company will form a board committee consisting of two members of the investment committee of the Company to monitor the process of execution of disposal orders, and requires the Investment Manager to report and clear with the board committee after the sales of approximately every 5% of the Disposable CMB A Shares. All elaborations and decisions in relation to the timing, price and amount of the Proposed CMB Disposal will be kept confidential.

INFORMATION ABOUT CMB

According to the annual report 2007 of CMB, CMB has over 570 branches and offices throughout the PRC. Its A shares were first listed on the SSE in 2002 and its H shares were listed on the Stock Exchange in 2006. As of 31 December 2007, CMB had a registered capital of RMB14,705 million. The main business activities of CMB include: taking deposits from the public; granting short, medium and long-term loans; handling settlements; handling bills discounting; issuing financial bonds; acting as agent for the issue and encashment of, underwriting and trading government bonds; engaging in inter-bank lendings and borrowings; providing letters of credit and guarantees services; providing agency collections and payments services; selling bancassurances; providing safe box services; taking foreign currency deposits; granting foreign currency loans; providing remittances services; providing foreign exchange services; providing international settlements services; engaging in foreign currency placements; providing foreign currency bills acceptances and discounting services; trading and trading as agent foreign currency securities except stocks; issuing and issuing as agent foreign currency securities except stocks; engaging in proprietary trading and trading on behalf of customers in FX; providing credit investigations, advisory and attestation services; engaging in offshore banking business; engaging in credit card business; providing custodial services for securities investment funds, Qualified Foreign Institutional Investors (QFII), corporate annuity funds (including account management services) and social security funds; underwriting commercial papers; trading derivative products; and other businesses approved by the CBRC.

LETTER FROM THE BOARD

The following sets out a summary of financial information of CMB for the two years ended 31 December 2007 which were prepared under the PRC accounting standards:

	For the year ended 31 December			
	2007		2006	
	<i>(RMB million)</i>	<i>HK\$ million</i>	<i>(RMB million)</i>	<i>HK\$ million</i>
	(audited)	equivalent	(audited)	equivalent
Profit before taxation	21,043	23,926	10,084	11,466
Profit after taxation	15,243	17,331	6,794	7,725
Net asset value	67,984	77,298	55,160	62,717

As at 31 December 2007, the audited consolidated net asset value of CMB amounted to approximately RMB67,984 million (equivalent to approximately HK\$77,298 million). The Group held a 0.83% interest of CMB in both 2007 and 2006. The audited net asset value attributable to the CMB A Shares held by the Group was approximately RMB564 million (equivalent to approximately HK\$641 million) as at 31 December 2007. Dividend income received by the Group from CMB amounted to approximately US\$1.93 million (equivalent to approximately HK\$15.05 million) in 2007 and approximately US\$4 million (equivalent to approximately HK\$31.19 million) in 2006. The fair value gain on CMB attributable to the Group amounted to approximately US\$413.36 million (equivalent to approximately HK\$3,223.59 million) in 2007 and US\$116.01 million (equivalent to approximately HK\$904.7 million) in 2006.

Based on the carrying amount of the Disposable CMB A Shares as at 31 December 2007 which was US\$597.69 million (equivalent to approximately HK\$4,661.09 million) and the minimum price of RMB4.62 (equivalent to approximately HK\$5.25), the expected realized accounting loss on the disposal of the Disposable CMB A Shares is US\$516.88 million (equivalent to approximately HK\$4,030.89 million).

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

The closing price of CMB A Shares as quoted on the SSE on the last trading day of the CMB A Shares immediately before the date of the Announcement was RMB13.71 (equivalent to approximately HK\$15.59).

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE PROPOSED DISPOSALS

As stated in the Group's 2008 interim report, the Group continuously makes every effort to identify new investment projects, with an emphasis on investment opportunities in sectors such as financial services, energy, environmental protection, consumer and cultural promotion, and also actively turns its existing investments in order to seek better returns for the Shareholders. The proceeds from the Proposed Disposals will put the Group in a better and more flexible financial position to take advantage of current and other investment opportunities should they arise.

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

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

INFORMATION ABOUT THE COMPANY

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

REGULATORY ASPECTS

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

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

LETTER FROM THE BOARD

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

GENERAL

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

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

FINANCIAL EFFECTS OF THE PROPOSED DISPOSALS

If the Proposed Disposals are carried out, the Company will apply the proceeds from the Proposed Disposals for possible investments in the future and working capital of the Group.

For the Proposed INDB Disposal, based on the carrying amount of the Disposable INDB A Shares as at 31 December 2007 which was US\$532.16 million (equivalent to approximately HK\$4,150.05 million) and the minimum price of RMB7.78 (equivalent to approximately HK\$8.85), the expected realized accounting loss on the disposal of the Disposable INDB A Shares is US\$441.99 million (equivalent to approximately HK\$3,446.86 million). For the Proposed CMB Disposal, based on the carrying amount of the Disposable CMB A Shares as at 31 December 2007 which was US\$597.69 million (equivalent to approximately HK\$4,661.09 million) and the minimum price of RMB4.62 (equivalent to approximately HK\$5.25), the expected realized accounting loss on the disposal of the Disposable CMB A Shares is US\$516.88 million (equivalent to approximately HK\$4,030.89 million). Based on the unaudited pro forma financial information of the Remaining Group in respect of the Proposed INDB Disposal and the Proposed CMB Disposal, it is believed that the Proposed Disposals would not have adverse effects on total assets and total liabilities of the Group.

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

The amount of the Disposable INDB A Shares and the Disposable CMB A Shares actually disposed of by the Group and the relevant proceeds will be set out in the relevant interim report and the annual report of the Company.

LETTER FROM THE BOARD

EGM

The Directors have resolved to convene the EGM to consider and, if thought fit to approve the Proposed Disposals by the Shareholders. Notice of the EGM is set out on pages 38 to 39 of this circular. Whether or not you are able to attend and vote at the EGM, you are requested to complete the enclosed proxy form and return it to the Company's registered office at 1803, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the proxy form will not preclude you from subsequently attending and voting at the EGM or any adjournment thereof should you so wish.

RIGHT TO DEMAND A POLL

Pursuant to article 80 of the articles of association of the Company, at any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is taken as may from time to time be required under the Listing Rules or any other applicable laws, rules or regulations or unless before, or on the declaration of the result of the show of hands a poll, is duly demanded:

- (a) by the chairman; or
- (b) by not less than three members present in person or by proxy or authorized representative for the time being entitled to vote at the meeting; or
- (c) by a member or members present in person or by proxy or authorized representative and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (d) by a member or members present in person or by proxy or authorized representative and holding shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

RECOMMENDATION

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

By Order of the Board
Peter LEE Yip Wah
Company Secretary

UNAUDITED FINANCIAL INFORMATION ON THE DISPOSABLE INDB A SHARES

The following unaudited financial information of the Disposable INDB A Shares has been prepared by the Group based on information shown in the underlying books and records of the Group for the three years ended 31 December 2005, 2006, 2007 and the six months ended 30 June 2008.

	Year ended 31 December			Six months ended 30 June
	2005	2006	2007	2008
	US\$	US\$	US\$	US\$
Gains/(loss) recognised in the income statements in relation to the Disposable INDB A Shares:				
Dividend income	1,071,167	–	2,723,121	3,616,895
Gains/(loss) arising from change in the fair value of the Disposable INDB A Shares	2,712,859	29,699,082	469,452,891	(263,490,779)
Deferred taxation	<u>(406,929)</u>	<u>(4,454,863)</u>	<u>(86,237,484)</u>	<u>48,818,878</u>
Carrying amount recognised in the balance sheets in relation to the Disposable INDB A Shares	<u>28,394,704</u>	<u>58,659,188</u>	<u>532,160,227</u>	<u>295,508,157</u>

UNAUDITED FINANCIAL INFORMATION ON THE DISPOSABLE CMB A SHARES

The following unaudited financial information of the Disposable CMB A Shares has been prepared by the Group based on information shown in the underlying books and records of the Group for the three years ended 31 December 2005, 2006, 2007 and the six months ended 30 June 2008.

	Year ended 31 December			Six months ended 30 June
	2005	2006	2007	2008
	US\$	US\$	US\$	US\$
Gains/(loss) recognised in the income statements in relation to the Disposable CMB A Shares:				
Dividend income	1,079,234	3,935,698	1,903,573	4,783,782
Gains/(loss) arising from change in the fair value of the Disposable CMB A Shares	9,523,821	114,171,298	406,800,283	(219,621,750)
Deferred taxation	<u>(1,428,573)</u>	<u>(17,125,695)</u>	<u>(120,899,971)</u>	<u>56,515,195</u>
Carrying amount recognised in the balance sheets in relation to the Disposable CMB A Shares	<u>63,926,638</u>	<u>178,570,412</u>	<u>597,694,074</u>	<u>410,453,651</u>

For the accounting policies in relation to the Disposable INDB A Shares and the Disposable CMB A Shares, please refer to “Notes to the Accounts” in the annual reports of the Group for the financial year 2005, 2006, 2007 and in the interim report for the six months ended 30 June 2008.

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

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE REMAINING GROUP IN RESPECT OF THE PROPOSED
INDB DISPOSAL AND THE PROPOSED CMB DISPOSAL**

**UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING
GROUP**

The unaudited pro forma financial information of the Remaining Group comprises an unaudited pro forma consolidated net assets statement as at 30 June 2008 and an unaudited pro forma consolidated income statement for the six months ended 30 June 2008 and the accompanying notes (collectively referred to as the “Pro Forma Financial Information”).

For illustrative purposes only, the Pro Forma Financial Information prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules is set out below to illustrate the effect of the Proposed Disposals on the consolidated net assets of the Group as at 30 June 2008 as if the Proposed Disposals had taken place on 30 June 2008 and the consolidated income statement of the Group for the six months ended 30 June 2008 as if the Proposed Disposals had taken place on 1 January 2008.

The Pro Forma Financial Information has been prepared based on the unaudited consolidated financial statements of the Group for the six months ended 30 June 2008, after making pro forma adjustments relating to the Proposed Disposals that are directly attributable to the Proposed Disposals and are factually supportable.

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

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE REMAINING GROUP IN RESPECT OF THE PROPOSED
INDB DISPOSAL AND THE PROPOSED CMB DISPOSAL**

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

	The Group as at 30 June 2008	Pro forma adjustments	Pro forma the Remaining Group
	<i>Note (i)</i>	<i>Note (ii)</i>	
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Non-current assets			
Interest in associates	20,651,957		20,651,957
Financial assets at fair value through profit or loss	475,056,445		475,056,445
Other investments in financial assets	696,284		696,284
	<u>496,404,686</u>		<u>496,404,686</u>
Current assets			
Financial assets at fair value through profit or loss	295,508,157	(295,508,157)	–
Other receivables	7,612,411		7,612,411
Cash and bank balances	71,020,545	295,508,157	366,528,702
	<u>374,141,113</u>		<u>374,141,113</u>
Current liabilities			
Other payables	118,660,665		118,660,665
Taxation payable	7,203,241	49,556,618	56,759,859
	<u>125,863,906</u>		<u>175,420,524</u>
Net current assets	<u>248,277,207</u>		<u>198,720,589</u>
Total assets less current liabilities	744,681,893		695,125,275
Non-current liability			
Deferred taxation	151,457,365	(49,556,618)	101,900,747
NET ASSETS	<u><u>593,224,528</u></u>		<u><u>593,224,528</u></u>
CAPITAL AND RESERVES			
Share capital	14,914,560		14,914,560
Reserves	578,309,968		578,309,968
TOTAL CAPITAL AND RESERVES	<u><u>593,224,528</u></u>		<u><u>593,224,528</u></u>
NET ASSET VALUE PER SHARE	<u><u>3.977</u></u>		<u><u>3.977</u></u>

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE REMAINING GROUP IN RESPECT OF THE PROPOSED
INDB DISPOSAL AND THE PROPOSED CMB DISPOSAL**

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

	The Group for the six months ended 30 June 2008	Pro forma adjustments	Pro forma the Remaining Group
	<i>Note (iii)</i>	<i>Note (iv)</i>	
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Investment income	12,067,116	(3,616,895)	8,450,221
Change in fair value of financial assets at fair value through profit or loss	(471,802,373)	263,490,779	(208,311,594)
Other income	142,338		142,338
Administrative expenses	(9,002,488)		(9,002,488)
Share of results of associates	<u>1,544,307</u>		<u>1,544,307</u>
Loss before taxation	(467,051,100)		(207,177,216)
Taxation	<u>103,607,126</u>	(48,818,878)	<u>54,788,248</u>
Loss attributable to equity shareholders	<u>(363,443,974)</u>		<u>(152,388,968)</u>
Loss per share	<u>(2.437)</u>		<u>(1.022)</u>

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

- (i) The amounts are based on the unaudited consolidated balance sheet of the Group as at 30 June 2008, which is extracted from the interim report of the Group for the six months ended 30 June 2008.
- (ii) The adjustments represent the disposal of the Disposable INDB A Shares in cash. The Disposable INDB A Shares were assumed to be sold at a total consideration of US\$295,508,157 (representing the fair value of the Disposable INDB A Shares as of 30 June 2008). The previously recognised deferred tax liability of US\$49,556,618 was reversed to the consolidated income statement and a current tax liability of US\$49,556,618 was provided in the consolidated income statement and was determined based on the Enterprise Income Tax rate of 18%.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the “New Tax Law”) by Order No. 63 of the President of the PRC. The State Council of the PRC issued Implementation Regulations of the New Tax Law and the Notification of the State Council on Carrying out the Transitional Preferential Policies concerning Enterprise Income Tax (Guo Fa [2007] No. 39) on 6 December 2007 and 26 December 2007 respectively. Accordingly, the applicable Enterprise Income tax rate, which is 18% in 2008, will be gradually increased to 25% in 2012. Therefore, the actual tax liability may be different from the amounts shown in the unaudited Pro Forma Financial Information.

- (iii) The amounts are based on the unaudited consolidated income statement of the Group for the six months ended 30 June 2008, which is extracted from the interim report of the Group for the six months ended 30 June 2008.
- (iv) The adjustments represent:
- (a) the exclusion of loss on fair value changes on investment in the Disposable INDB A Shares of US\$263,490,779 assuming the Disposable INDB A Shares were disposed of on 1 January 2008 at a total consideration of US\$532,160,227 (representing the fair value of the Disposable INDB A Shares as of 31 December 2007).
 - (b) the reversal of dividend income and deferred tax at the amount of US\$3,616,895 and US\$48,818,878 respectively, for the six months ended 30 June 2008 in relation to the Disposable INDB A Shares as if the Proposed INDB Disposal were completed on 1 January 2008.
- (v) Since the actual amounts of consideration to be received from the Proposed INDB Disposal may be substantially different from the amounts used in the preparation of the Pro Forma Financial Information, the actual gain/loss and cash received from the Proposed INDB Disposal may be different from those amounts shown in the unaudited Pro Forma Financial Information.

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE REMAINING GROUP IN RESPECT OF THE PROPOSED
INDB DISPOSAL AND THE PROPOSED CMB DISPOSAL**

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

	The Group as at 30 June 2008	Pro forma adjustments	Pro forma the Remaining Group
	<i>Note (i)</i>	<i>Note (ii)</i>	
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Non-current assets			
Interest in associates	20,651,957		20,651,957
Financial assets at fair value through profit or loss	475,056,445	(410,453,651)	64,602,794
Other investments in financial assets	696,284		696,284
	<u>496,404,686</u>		<u>85,951,035</u>
Current assets			
Financial assets at fair value through profit or loss	295,508,157		295,508,157
Other receivables	7,612,411		7,612,411
Cash and bank balances	71,020,545	410,453,651	481,474,196
	<u>374,141,113</u>		<u>784,594,764</u>
Current liabilities			
Other payables	118,660,665		118,660,665
Taxation payable	7,203,241	70,844,224	78,047,465
	<u>125,863,906</u>		<u>196,708,130</u>
Net current assets	<u>248,277,207</u>		<u>587,886,634</u>
Total assets less current liabilities	744,681,893		673,837,669
Non-current liability			
Deferred taxation	151,457,365	(98,394,755)	53,062,610
NET ASSETS	<u>593,224,528</u>		<u>620,775,059</u>
CAPITAL AND RESERVES			
Share capital	14,914,560		14,914,560
Reserves	578,309,968	27,550,531	605,860,499
TOTAL CAPITAL AND RESERVES	<u>593,224,528</u>		<u>620,775,059</u>
NET ASSET VALUE PER SHARE	<u>3.977</u>		<u>4.162</u>

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE REMAINING GROUP IN RESPECT OF THE PROPOSED
INDB DISPOSAL AND THE PROPOSED CMB DISPOSAL**

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

	The Group for the six months ended 30 June 2008 <i>Note (iii)</i> US\$	Pro forma adjustments <i>Note (iv)</i> US\$	Pro forma the Remaining Group US\$
Investment income	12,067,116	(4,783,782)	7,283,334
Change in fair value of financial assets at fair value through profit or loss	(471,802,373)	219,621,750	(252,180,623)
Other income	142,338		142,338
Administrative expenses	(9,002,488)		(9,002,488)
Share of results of associates	<u>1,544,307</u>		<u>1,544,307</u>
Loss before taxation	(467,051,100)		(252,213,132)
Taxation	<u>103,607,126</u>	(56,515,195)	<u>47,091,931</u>
Loss attributable to equity shareholders	<u>(363,443,974)</u>		<u>(205,121,201)</u>
Loss per share	<u>(2.437)</u>		<u>(1.375)</u>

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

- (i) The amounts are based on the unaudited consolidated balance sheet of the Group as at 30 June 2008, which is extracted from the interim report of the Group for the six months ended 30 June 2008.
- (ii) The adjustments represent the disposal of the Disposable CMB A Shares in cash. The Disposable CMB A Shares were assumed to be sold at a total consideration of US\$410,453,651 (representing the fair value of the Disposable CMB A Shares as of 30 June 2008). The previously recognised deferred tax liability of US\$98,394,755, which was based on Enterprise Income Tax rate of 25%, was reversed to the consolidated income statement and a current tax liability of US\$70,844,224 was provided in the consolidated income statement and based on the Enterprise Income Tax rate of 18%.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the “New Tax Law”) by Order No. 63 of the President of the PRC. The State Council of the PRC issued Implementation Regulations of the New Tax Law and the Notification of the State Council on Carrying out the Transitional Preferential Policies concerning Enterprise Income Tax (Guo Fa [2007] No. 39) on 6 December 2007 and 26 December 2007 respectively. Accordingly, the applicable Enterprise Income tax rate, which is 18% in 2008, will be gradually increased to 25% in 2012. Therefore, the actual tax liability may be different from the amounts shown in the unaudited Pro Forma Financial Information.

- (iii) The amounts are based on the unaudited consolidated income statement of the Group for the six months ended 30 June 2008, which is extracted from the interim report of the Group for the six months ended 30 June 2008.
- (iv) The adjustments represent:
- (a) the exclusion of loss on fair value changes on investment in the Disposable CMB A Shares of US\$219,621,750 assuming the Disposable CMB A Shares were disposed of on 1 January 2008 at a total consideration of US\$597,694,074 (representing the fair value of the Disposable CMB A Shares as of 31 December 2007).
 - (b) the reversal of dividend income and deferred tax at the amount of US\$4,783,782 and US\$56,515,195 respectively, for the six months ended 30 June 2008 in relation to the Disposable CMB A Shares as if the Proposed CMB Disposal were completed on 1 January 2008.
- (v) Since the actual amounts of consideration to be received from the Proposed CMB Disposal may be substantially different from the amounts used in the preparation of the Pro Forma Financial Information, the actual gain/loss and cash received from the Proposed CMB Disposal may be different from those amounts shown in the unaudited Pro Forma Financial Information.

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE REMAINING GROUP IN RESPECT OF THE PROPOSED
INDB DISPOSAL AND THE PROPOSED CMB DISPOSAL**

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



**THE DIRECTORS
CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED**

Dear Sirs,

**ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL
INFORMATION**

We report on the unaudited pro forma financial information of China Merchants China Direct Investments Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the possible very substantial disposal of shares in Industrial Bank Co., Ltd. might have affected the financial information presented, for inclusion in Appendix II of the circular dated 29 November 2008 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on page 15 to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

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

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

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE REMAINING GROUP IN RESPECT OF THE PROPOSED
INDB DISPOSAL AND THE PROPOSED CMB DISPOSAL**

Basis of opinion

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

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

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

- the financial position of the Group as at 30 June 2008 or any future date; or
- the results of the Group for the six months ended 30 June 2008 or any future period.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong

29 November 2008



**THE DIRECTORS
CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED**

Dear Sirs,

**ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL
INFORMATION**

We report on the unaudited pro forma financial information of China Merchants China Direct Investments Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the possible very substantial disposal of shares in China Merchants Bank Co., Ltd. might have affected the financial information presented, for inclusion in Appendix II of the circular dated 29 November 2008 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on page 15 to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

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

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

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE REMAINING GROUP IN RESPECT OF THE PROPOSED
INDB DISPOSAL AND THE PROPOSED CMB DISPOSAL**

Basis of opinion

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

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

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

- the financial position of the Group as at 30 June 2008 or any future date; or
- the results of the Group for the six months ended 30 June 2008 or any future period.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong

29 November 2008

The information in this appendix in respect of the additional information on the Remaining Group was based on the financial statements set out in the interim report of the Company for the six months ended 30 June 2008.

SEGMENT INFORMATION

Below is the review of direct investments of the Group:

China Merchants Bank Co., Ltd. (“CMB”), is the first joint-stock commercial bank established by enterprises. Its shares were first listed on the Shanghai Stock Exchange in 2002. CMB now has over 590 branches and offices across the country. The Group invested US\$14.06 million and held a 0.83% stake in CMB as at 30 June 2008. CMB has made its interim results announcement for 2008. Its unaudited net profit for the first half of 2008 was RMB13.20 billion, up 116% from the same period of the previous year. The increase was attributable to a wider interest rate spread, growth in both interest and non-interest income, and a lower cost of credit and effective income tax rate. In August 2008, the Group received a cash dividend of RMB34.32 million for 2007 from CMB.

The lock-up period for the CMB A Shares held by the Group expired in February 2008 and the Group has been gradually selling its CMB A Shares to realise capital gains.

In June 2008, CMB announced a plan to acquire a 53.12% interest in Wing Lung Bank Limited for total consideration of HK\$19.30 billion (or HK\$156.5 per share). After completion of this acquisition, CMB will be obligated to make an unconditional general offer for all the issued shares of Wing Lung Bank Limited (involving a cash of HK\$17 billion).

At the end of September 2008, CMB successfully completed its acquisition of a 53.12% interest in Wing Lung Bank Limited. At the end of October 2008, CMB acquired an additional 44.70% interest in Wing Lung Bank Limited under the unconditional mandatory cash offer made to all the other shareholders of Wing Lung Bank Limited. CMB now is in the process of privatising Wing Lung Bank Limited by means of a compulsory acquisition of the remaining 2.18% interest in Wing Lung Bank Limited.

Industrial Bank Co., Ltd. (“INDB”) is a joint-stock commercial bank incorporated in the PRC. It has over 400 branches and offices across the country. As at 30 June 2008, the Group held a 1.596% equity interest in INDB and the investment cost was RMB139 million (equivalent to US\$16.74 million). INDB has announced that it recorded an unaudited net profit of RMB6.54 billion, up 80% from the same period of the previous year. The growth was mainly due to a wider interest rate spread as compared to the previous year, a significant increase in income from intermediary business and stable asset quality. During the first half of 2008, the Group received a cash dividend of RMB26.53 million for 2007 from INDB.

The lock-up period for the INDB A Shares held by the Group expired in February 2008. During the reporting period, the Group has sold 4.2 million of INDB A Shares with a net proceeds of RMB149.6 million under the authorisation granted at the general meeting on 16 January 2008.

In March 2008, as approved by the board of INDB, INDB proposed to establish a wholly owned finance leasing company with an investment of RMB2 billion, as well as a joint venture fund management company in partnership with Natixis Global Asset Management SA and Xiamen C&D Inc. The joint venture fund management company will have registered capital of RMB300 million, of which INDB will contribute 57%.

In June 2008, INDB signed a strategic cooperative agreement with Jiujiang City Commercial Bank to acquire a 20% interest in the bank at a price not exceeding 1.93 times of the bank's net assets per share at the end of 2007. The transaction is still pending regulatory approval.

China Credit Trust Co., Ltd. ("CCT"), formerly known as China Coal Trust Co., Ltd., was established in 1995. The principal activities of CCT are trust management, fund management, investments and loan financing. The Group invested US\$15.31 million in CCT in 2005, and holds a 6.8167% stake. In July 2008, the Group received a cash dividend of US\$2.5 million for 2007 from CCT.

CCT recorded an unaudited net profit of RMB258 million for the first half of 2008, representing a decrease of 28% from the same period of 2007. The decrease was mainly due to the steep decline of the domestic stock market during the period, resulting in a significant decrease of 40% in investment income compared to the same period of 2007.

In the first half of 2008, the unaudited fees and commissions income of CCT amounted to RMB151 million, representing a sharp rise of 328% over the same period of 2007. This was mainly due to a significant increase in the fees from trust products relating to securities investment compared to the same period of 2007. However, the collective securities investment trust products previously issued reach maturity in 2008, at a time when there was a material decrease in new issues of similar products. It is therefore expected that future fee income from trust products relating to securities investment will significantly decline.

A resolution was passed at the 2007 shareholders meeting of CCT regarding the establishment of a money broker company in the PRC by CCT, together with a foreign money broker. CCT will invest RMB33.5 million in the company, representing 67% of the joint venture's registered capital. The establishment of this joint venture is still pending regulatory approval.

In June 2008, CCT obtained approval from the China Insurance Regulatory Commission to acquire a stake of 1.8% in China Life Pension Insurance Co., Ltd.

In October 2008, the State Council of China formally informed CCT that its 32.35% stake in CCT will be assigned to The People's Insurance Company (Group) of China. The relevant change of CCT's shareholding is effective after the completion of proper approval procedures.

Industrial Securities Co., Ltd. (“ISCL”) is a comprehensive securities company registered in the PRC. Its businesses include IPO underwriting, securities underwriting, brokerage, proprietary trading, and investment consulting. The Group invested RMB8.51 million (equivalent to US\$1.03 million) in 1999, and held a 0.45% equity interest in ISCL as at 30 June 2008. As the trading volume of the stock markets in Shenzhen and Shanghai has decreased in 2008, ISCL’s fee income declined sharply. ISCL recorded an unaudited net profit of RMB270 million in the first half of 2008, representing a decrease of 73% from the same period of 2007.

ISCL passed a profit distribution proposal at the 2007 shareholders meeting for the distribution of 3 bonus shares for every 10 shares in issue. The proposal is subject to approval by the China Securities Regulatory Commission (“CSRC”).

On 25 June 2008, a resolution was passed at the shareholders meeting of ISCL for listing on the domestic A-Share market. Preparations for listing are now underway.

Jutian Investment Co., Ltd. (“Jutian Investment”) was formerly known as Jutian Securities Co., Ltd. In 2001, the Group invested RMB35.36 million (equivalent to US\$4.27 million) in Jutian Investment, representing an equity interest of 4.66%. The Group reserved for the full amount of this investment in 2005.

Jutian Investment is fully committed to recovering outstanding debts, disposing of assets, and settling taxation issues and remaining litigation. A third party has indicated preliminary interest in acquiring Jutian Investment and shareholders of Jutian Investment are considering a transfer of their entire stake in the company. All parties are now negotiating issues related to such a transfer.

Morgan Stanley Huaxin Fund Management Co., Ltd. (“Morgan Stanley Fund”), formerly known as Jutian Fund Management Co., Ltd., was incorporated in 2003 with registered capital of RMB100 million. The Group invested RMB10 million (equivalent to US\$1.21 million) in 2003, and holds a 10% equity interest in the Morgan Stanley Fund. Morgan Stanley International Holdings Inc. and China Fortune Securities Co., Ltd. acquired certain stakes in the former Jutian Fund Management Co., Ltd. and the related approvals and change of business registration were completed in June 2008. The former Jutian Fund Management Co., Ltd was formally renamed Morgan Stanley Huaxin Fund Management Co., Ltd. at the same time. In the first half of 2008, the Group received a cash dividend of RMB1 million for 2007.

Morgan Stanley Fund recorded an unaudited net loss of RMB1.92 million for the first half of 2008, compared to a net profit of RMB34.22 million for the same period of 2007. This change was mainly attributable to the substantial investment gain recorded in the same period of 2007. In addition, the Shanghai Composite Index fell 48% in the first half of 2008 and assets under management of domestic fund management companies generally experienced a decline due to the devaluation of securities and a significant volume of redemptions by investors. Assets under management by Morgan Stanley Fund decreased to RMB2.08 billion at the end of June 2008 from RMB4.13 billion at the end of December 2007, which resulted in a lower management fee income.

Shandong Jinbao Electronics Co., Ltd. (“Jinbao”) was incorporated in Zhaoyuan City of Shandong Province in 1993 and engages in the production and sale of copper-foil and laminate. The Group’s cumulative investment is US\$7.85 million, representing an interest of 30% in Jinbao. For the six months ended 30 June 2008, Jinbao recognised unaudited revenue of RMB769.33 million, and earned an unaudited net profit of RMB33.51 million, representing an increase of 50% and 15%, respectively, over 2007. The growth in net profit was below that of sales due mainly to a decline in the market price of copper laminate, one of the firms’s major products, to an increase in utilities and other operating costs, and to a lower export tax refund.

Jinbao submitted a listing application to the CSRC on 28 March 2008, and the CSRC formally accepted Jinbao’s application on 7 April 2008.

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

Oriental is engaged in the operation and management of the Phase 1 dormitories of Oriental University City of Langfang City, which has a capacity of approximately 17,000 students. It accommodated some 16,000 students in the school year of 2007/2008 and all rooms were nearly fully occupied.

Oriental recorded an unaudited net profit of RMB4.81 million for the first half of 2008, representing a decrease of 15% from the same period of 2007. The decrease was mainly due to the reduction in rental revenue and significant increase in tax expenses.

In March 2008, Raffles Education Corp. of Singapore duly completed a transfer of assets for the acquisition of Oriental University City Development Co., Ltd. (東方大學城開發有限公司), the then controlling shareholder of Oriental. Upon completion of this transaction, Raffles Education Corp. becomes the major shareholder of Oriental and directly participates in the management of Oriental. The Group will closely monitor the operating performance of Oriental after its change in shareholding.

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

China Merchants Plaza (Shanghai) Property Co., Ltd. (“China Merchants Plaza”) was established in Shanghai in 1994, to engage in the development of a commercial and business complex. The Group invested US\$5.685 million in 1994 and holds an effective equity interest of 19.8% in China Merchants Plaza. The commercial complex is a 28-storey office/retail building located at North Chengdu Road, Jingan District, Shanghai, with a total saleable space of 60,086 square metres, of which 49,438 square metres remains unsold. The

Group reserved for the full amount of this investment in 2000 due to the substantial leverage, high financing costs and significant accumulated losses of China Merchants Plaza. For the six months ended 30 June 2008, China Merchants Plaza recorded an unaudited net profit of RMB13.48 million, representing an increase of 354% over the same period of last year. The significant increase in net profit was mainly attributable to higher rents for units under lease in the first half-year, along with substantially lower indebtedness and financing costs, which are denominated primarily in foreign currencies and were helped by appreciation of the RMB.

NBA China, L.P. (“NBA China”) is a limited liability partnership incorporated in Cayman Islands in 2007. The Group invested US\$23 million in January 2008, accounting for 1% of the preferred equity in NBA China. Other strategic investors hold the remaining 10% of preferred equity. NBA China has exclusive rights to operate the NBA’s businesses in the Greater China Region, including television broadcasting rights, advertising, sponsorship, events, digital media, and merchandising, among other new businesses.

Since its inception, NBA China has actively developed a variety of businesses and has established cooperative relationships with many large enterprises such as Toyota, Peak and Mengniu. In July 2008, the first two NBA specialty shops in China opened in Beijing. In addition, Wukesong Culture and Sports Centre, NBA China and Anschutz Entertainment Group of the U.S. have formally established a strategic partnership in the operation of the Beijing Olympic Basketball Gymnasium and related commercial promotions.

REVIEW OF LISTED INVESTMENTS

In view of the uncertainty surrounding the U.S. sub-prime crisis and economic outlook, as well as the effect of macroeconomic control measures taken by the PRC on the Hong Kong and domestic stock markets, the Group did not deal in any trade equities (save for selling some IBCL shares and IPO A shares) in the secondary market during the reporting period after it had sold all of its trade equities portfolio before the end of 2007.

MATERIAL ACQUISITIONS AND DISPOSALS OF INVESTMENTS

The Group has stepped up its efforts in the search for investment opportunities, and intensive due diligence was completed on projects in financial services, energy, environmental protection, manufacturing and consumer related industries. The Group entered into an agreement with the National Basketball Association of the United States (NBA) on 10 January 2008 and invested US\$23 million in NBA China, L.P., representing a 1% preferred equity stake in the project.

The Group held an extraordinary general meeting on 16 January 2008 and was authorised at the meeting to sell all 84 million INDB A Shares at a price of not less than RMB28 per share within a year. Pursuant to the authorisation and after considering market conditions, the Group has sold a portion of the shares.

On 30 April 2008, the Group entered into a share transfer agreement with an independent third party for the sale of its 0.28% interest in China Merchants Securities Co., Ltd. at consideration of RMB140.30 million, which was confirmed to be reasonable by an independent assessment. The transaction was completed in May 2008 and our internal rate of return from the investment was 42%.

PROSPECTS

During the first half of 2008, as the world economy slowed due to the U.S. sub-prime crisis, tight macroeconomic control measures implemented by the Central Government, and the occurrence of a series of natural disasters, China's economy cooled somewhat, and yet maintained a relatively high growth rate. During the half year, China's economy grew 10.4% year-on-year, which was 1.8% lower than the growth rate in the same period of 2007. The Consumer Price Index ("CPI") rose 7.9% year-on-year in the first half of the year. The CPI, after reaching a two-year high in May, decreased in June. For the second half of 2008, it is expected that the main targets of macroeconomic policy will continue to be fighting inflation and excess liquidity, and the Central Government will implement such measures with an appropriate level of tightness. While the tight credit control, production cost increases and lower exports may reduce the profit of some corporations and create challenges for the Group's investment return, the continuing need for business financing may also provide the Group with new opportunities for direct investment. The Group will continuously make every effort to identify new investment projects, with an emphasis on investment opportunities in sectors such as financial services, energy, environmental protection, consumer and cultural promotion, and will also actively turn its existing investments in order to seek better returns for the Shareholders.

LIQUIDITY, FINANCIAL RESOURCES, LIABILITY AND CAPITAL COMMITMENTS

The Group's cash on hand increased by 55%, from US\$45.69 million at the end of 2007 to US\$71.02 million as of 30 June 2008, due to the sales of our interests in China Merchants Securities Co., Ltd. and INDB.

As of 30 June 2008, the Group had no outstanding bank loans or capital commitments.

EMPLOYEES AND REMUNERATION POLICIES

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

Since the People's Bank of China implemented a reform of the RMB exchange rate mechanism, the RMB has appreciated gradually against the US\$. As most of the Group's investments are located in China where the official currency is the RMB, the Group has benefited from the appreciation of the RMB.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. STATEMENT OF INDEBTEDNESS

At the close of business on 31 October 2008, apart from the intra-group liabilities, the Group did not have any outstanding borrowings, mortgages, charges, debentures, loan capital or overdrafts, or other charges, or other similar indebtedness, finance leases, or hire-purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities as at 31 October 2008.

3. WORKING CAPITAL

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

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

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

(i) Long position in the ordinary shares in the Company

Name of Director	Capacity	Number of Shares Held	Percentage of Total Issued Share Capital as at the Latest Practicable Date
Mr. Victor Lap-Lik Chu	Interest of Controlled Corporation	3,224,000	2.16%

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

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

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

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

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

Shareholder	Long/Short Position	Capacity	Number of Ordinary Shares Interested	Approximate Percentage in the Company's Share Capital
China Merchants Financial Services Limited (<i>Note 3</i>)	Long Position	Interest of controlled corporation	33,989,760	22.79%
Good Image Limited	Long Position	Beneficial owner	33,989,760	22.79%
Deutsche Bank Aktiengesellschaft	Long Position	Beneficial owner Security interest	1,991,393 9,927,107	7.99%
	Short Position	Beneficial owner	58,000	0.04%
華夏全球精選股票型證券投資基金	Long Position	Beneficial owner	9,682,000	6.49%
QVT Financial GP LLC (<i>Note 4</i>)	Long Position	Interest of controlled corporation	8,861,000	5.94%
QVT Financial LP	Long Position	Investment Manager	8,861,000	5.94%
QVT Associates GP LLC (<i>Note 4</i>)	Long Position	Interest of controlled corporation	8,933,796	5.99%
QVT Fund LP	Long Position	Beneficial owner	7,414,665	4.97%
Lazard Asset Management LLC	Long Position	Investment Manager	25,188,300	16.89%
UBS AG	Long Position	Beneficial owner Security Interest	997,383 10,929,490	8.00%

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

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

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

Note 4: QVT Financial GP LLC and QVT Associates GP LLC are deemed to have corporate interests in the shares by virtue of its interest in the company whose name is set out immediately under it.

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

6. COMPETING INTERESTS

Mr. CHU Lap Lik, Victor and Ms. KAN Ka Yee, Elizabeth (being alternate to Mr. CHU Lap Lik, Victor), being the Directors, are also the directors of various companies within First Eastern Investment Group which is actively involved in direct investments in the PRC and which may compete, either directly or indirectly with businesses of the Group. However, the Company is capable of carrying on its business independently of, and at arms length from, the businesses of First Eastern Investment Group. If conflict of interest arises on the part of Mr. CHU or Ms. KAN (being alternate to Mr. CHU) as the case may be, Mr. CHU or Ms. KAN shall, pursuant to the articles of association of the Company, not vote or be counted in the quorum on the relevant resolution of the Board.

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

7. DIRECTORS' SERVICE CONTRACTS

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

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

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 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.

China Merchants China Investment Management Limited continues to be the Investment Manager of the Company for both listed and unlisted investments. Mr. HONG Xiaoyuan, Mr. CHU Lap Lik, Victor, Ms. ZHOU Linda Lei and Mr. TSE Yue Kit are directors of both the Company and the Investment Manager. Mr. CHU Lap Lik, Victor and Ms. KAN Ka Yee, Elizabeth have indirect beneficial interests in the Investment Manager.

The Investment Management Agreement (the “Agreement”) became effective on 15 July 1993 and was for an initial term of five years and is thereafter automatically renewed for further periods of three years after the expiry of each fixed term unless the appointment is terminated by the Board either on six months’ notice prior to the expiry of each term or with the sanction of shareholders in general meeting at any time if the Company suffers major losses due to the gross negligence of the Investment Manager.

Other than the Agreement mentioned above, no contracts of significance, to which the Company or any related company or subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the Latest Practicable Date.

As at the Latest Practicable Date, save as disclosed above, none of the Directors is materially interested in any contract or arrangement which is significant in relation to the business of the Company.

9. MATERIAL CONTRACTS

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

10. LITIGATION

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

11. EXPERT

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

Name	Qualifications
Deloitte Touche Tohmatsu	Certified Public Accountants

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

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

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

12. GENERAL

- (a) The registered office of the Company is at 1803, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.
- (b) The share registrar of the Company is Computershare Hong Kong Investor Services Ltd. at 18/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (c) The company secretary of the Company is Mr. Peter Y. W. Lee who is a practising solicitor, a consultant of Messrs. Woo, Kwan, Lee & Lo, Solicitors & Notaries and a China appointed attesting officer.
- (d) The qualified accountant of the Company is Miss Tsang Wai Chu who is a member of the Hong Kong Institute of Certified Public Accountants.
- (e) In case of inconsistency, the English text of this circular and the accompanying form of proxy shall prevail over the Chinese text.

13. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the memorandum and articles of association of the Company;
- (b) the letters from Deloitte Touche Tohmatsu reporting on the Pro Forma Financial Information of the Remaining Group as set out in Appendix II to this circular;
- (c) the written consent referred to under the section headed "Expert" in this Appendix;
- (d) the comfort letter from Deloitte Touche Tohmatsu on the financial information as set out in Appendix I to this circular; and
- (e) the annual reports of the Company for each of the two years ended 31 December 2006 and 2007 and the interim report for the six months ended 30 June 2008.

NOTICE OF EXTRAORDINARY GENERAL MEETING



CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED

招商局中國基金有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 133)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of China Merchants China Direct Investments Limited (the “**Company**”) will be held on Monday, 15 December 2008, at Narcissus Room, 27/F, The Park Lane Hotel Hong Kong, 310 Gloucester Road, Hong Kong, at 2:30 p.m., to consider, and, if thought fit, pass the following resolutions (with or without modifications) as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the disposal (the “**INDB Disposal Mandate**”) of any or all A shares (“**INDB A Shares**”) in 興業銀行股份有限公司 (Industrial Bank Co., Ltd.), a joint-stock commercial bank approved by the China Banking Regulatory Commission (“**CBRC**”) in the People’s Republic of China (“**PRC**”) with limited liability, whose A shares are listed on the Shanghai Stock Exchange (“**SSE**”), held by the Company, its subsidiaries, jointly controlled entities and associated companies (collectively, the “**Group**”), for a period of 12 months from the date of passing of this resolution on the following conditions be and is hereby approved:
 - (i) the Group will dispose of the INDB A Shares in the open market through the SSE’s trading system; and
 - (ii) the selling price of the INDB A Shares will be the market price of the INDB A Shares at the relevant times. Market price refers to the price allowed under the trading system of the SSE, but will not be less than RMB7.78 (equivalent to approximately HK\$8.85) per INDB A Share.
- (b) the directors of the Company (“**Directors**”) be and are hereby authorized to do all things, including but not limited to the execution of all documents, which the Directors deem to be necessary or desirable to effect the foregoing or in connection with the INDB Disposal Mandate.”

2. “**THAT:**

conditional upon the passing of resolution 1 above, the disposal mandate given by ordinary resolution of the shareholders of the Company at the extraordinary general meeting of the Company held on 16 January 2008 in relation to the

NOTICE OF EXTRAORDINARY GENERAL MEETING

disposal of certain A shares in 興業銀行股份有限公司 (Industrial Bank Co., Ltd.) to the extent that the transaction(s) for such disposal has not been entered into by the Group, be and is hereby revoked.”

3. “**THAT:**

- (a) the disposal (the “**CMB Disposal Mandate**”) of any or all A shares (“**CMB A Shares**”) in 招商銀行股份有限公司 (China Merchants Bank Co., Ltd.), a joint-stock commercial bank approved by the CBRC in the PRC with limited liability, whose A shares are listed on the SSE held by the Group, for a period of 12 months from the date of passing of this resolution on the following conditions be and is hereby approved:
- (i) the Group will dispose of the CMB A Shares in the open market through the SSE’s trading system; and
- (ii) the selling price of the CMB A Shares will be the market price of the CMB A Shares at the relevant times. Market price refers to the price allowed under the trading system of the SSE, but will not be less than RMB4.62 (equivalent to approximately HK\$5.25) per CMB A Share.
- (b) the Directors be and are hereby authorized to do all things, including but not limited to the execution of all documents, which the directors deem to be necessary or desirable to effect the foregoing or in connection with the CMB Disposal Mandate.”

By Order of the Board
Peter LEE Yip Wah
Company Secretary

Hong Kong, 29 November 2008

Registered office:

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

Notes:

- (1) A member entitled to attend and vote at the meeting is entitled to appoint one or more than one proxy to attend and vote instead of him. A proxy needs not be a member of the Company.
- (2) In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a copy of such authority notarially certified, must be deposited at the Company’s registered office at 1803 China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting.
- (3) As at the date hereof, the Board of the Company comprises eight Directors, of which five are executive Directors, namely Mr. LI Yinquan, Mr. HONG Xiaoyuan, Mr. CHU Lap Lik, Victor, Ms. ZHOU Linda Lei and Mr. TSE Yue Kit; and three are independent non-executive Directors, namely Mr. KUT Ying Hay, Mr. WANG Jincheng and Mr. LI Kai Cheong, Samson. In addition, Ms. KAN Ka Yee, Elizabeth is the alternate Director to Mr. CHU Lap Lik, Victor.