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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)

Executive Directors:

Mr. LI Yinquan (*Chairman*)
Mr. HONG Xiaoyuan
Mr. CHU Lap Lik, Victor
Ms. ZHOU Linda Lei
Mr. TSE Yue Kit
Ms. KAN Ka Yee, Elizabeth
(Alternate to Mr. CHU Lap Lik, Victor)

Registered Office:

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

Non-executive Director:

Mr. KE Shifeng

Independent Non-executive Directors:

Mr. KUT Ying Hay
Mr. WANG Jincheng
Mr. LI Kai Cheong, Samson
Mr. LIU Baojie

30 June 2011

To the Shareholders

Dear Sir or Madam,

**SCRIP DIVIDEND SCHEME IN RELATION TO
THE FINAL DIVIDEND AND SPECIAL DIVIDEND
FOR THE YEAR ENDED 31 DECEMBER 2010**

INTRODUCTION

On 30 March 2011, the Board of Directors of China Merchants China Direct Investments Limited (the “**Company**”) announced their recommendation of a final dividend (the “**Final Dividend**”) of US\$0.04 (or HK\$0.31) per ordinary share of US\$0.10 each (the

“Share”) and a special dividend (the “**Special Dividend**”) of US\$0.07 (or HK\$0.55) per Share for the year ended 31 December 2010 to shareholders of the Company (“**Shareholders**”) whose names appear on the register of members of the Company on 19 May 2011 (the “**Record Date**”). The Final Dividend and Special Dividend, if approved, are to be payable in cash, with an option to receive new, fully paid Shares in lieu of cash (the “**Scrip Dividend Scheme**”). At the annual general meeting held on 19 May 2011, the Final Dividend and Special Dividend were approved.

The purpose of this document is to set out the procedures which apply in relation to the Scrip Dividend Scheme and the action which should be taken by Shareholders in relation thereto.

DETAILS OF THE SCRIP DIVIDEND SCHEME

Under the Scrip Dividend Scheme, each Shareholder has the choice of receiving:

- (a) cash of US\$0.11 (or HK\$0.86) per Share; or
- (b) an allotment of new Shares with a nominal value of US\$0.10 each (“**New Shares**”) credited as fully paid and having an aggregate market value (as defined below) equal to, save for adjustment for fractions, the total amount of the Final Dividend and Special Dividend which such Shareholder could elect to receive in cash in respect of US\$0.11 (or HK\$0.86) per Share; or
- (c) partly cash and partly New Shares.

For the purpose of calculating the number of New Shares to be allotted, the market value of a New Share will be calculated as an amount equal to the average closing price of one Share on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for the five trading days (on which such price is available) up to and including 7 July 2011 (the “**Average Closing Price**”). Consequently, it will not be possible to determine until the close of business on 7 July 2011 the exact number of New Shares to which those Shareholders electing to receive New Shares will be entitled. Accordingly, the number of New Shares which Shareholders will receive, in respect of the existing Shares registered in their names as at 19 May 2011, will be calculated as follows:

$$\begin{array}{rcl} \text{Number of New Shares to be received} & = & \begin{array}{l} \text{Number of existing Shares held on the Record Date for which election for New Shares is made} \end{array} \times \frac{\text{HK\$0.86}}{\text{Average Closing Price}} \end{array}$$

An announcement setting out the basis of allotment of the New Shares will be published on the designated website of Hong Kong Exchanges and Clearing Limited (“**HKEX**”) at www.hkexnews.hk and on the Company’s own website at www.cmcdi.com.hk after the close of business on 7 July 2011. **The last day and time on which Shareholders will be entitled to elect their desired form of the Final Dividend and Special Dividend is 4:30 p.m. on Thursday, 21 July 2011.** The number of New Shares to be received will be rounded down to the nearest whole number of the New Shares. Fractional entitlements to New Shares in respect of alternatives (b) and (c) above will be aggregated and sold and the benefit thereof will accrue to the Company. The New Shares to be issued pursuant to the Scrip Dividend Scheme will rank pari passu in all respects with the existing Shares except that they shall not rank for the Final Dividend and Special Dividend.

In accordance with the relevant regulations in the People's Republic of China ("PRC"), the Company understands that it is not required to withhold and pay enterprise income tax in the PRC when it distributes the Final Dividend and Special Dividend, whether in scrip form or in cash, to its non-resident enterprise shareholders.

ADVANTAGES OF THE SCRIP DIVIDEND SCHEME

The Scrip Dividend Scheme will give Shareholders the opportunity to increase their investment in the Company without incurring brokerage fee, stamp duty or dealing costs. The Scrip Dividend Scheme will also be to the advantage of the Company because, to the extent that the Shareholders do not elect to receive cash in lieu of New Shares, in whole or in part, such cash as would otherwise have been paid to Shareholders will be retained for use as working capital by the Company.

EFFECT OF THE SCRIP DIVIDEND SCHEME

Based on 149,145,600 Shares in issue as at the Record Date, if no election for New Shares is received, the total cash dividend payable by the Company would be approximately HK\$128,265,216.

Shareholders should note that the New Shares to be issued pursuant to the Scrip Dividend Scheme may give rise to notification requirements under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") for those Shareholders who may have notifiable interests (under the SFO, 5% or more interest in the issued share capital) in the Company. **Shareholders who are in any doubt as to how these provisions may affect them as a result of the New Shares arising from the Scrip Dividend Scheme are recommended to seek their own professional advice.**

DIVIDEND ELECTION FORM

A Dividend Election Form is enclosed with this document for use by Shareholders who wish to receive the Final Dividend and Special Dividend wholly in New Shares, or partly in cash and partly by the issue of New Shares, or to make a permanent election to receive new Shares in lieu of any future dividends in cash form, or to make a permanent election to receive the cash portion of the Final Dividend and Special Dividend and any future cash dividends in Hong Kong Dollars.

If you elect to receive the Final Dividend and Special Dividend wholly in the form of cash in US Dollars (or Hong Kong Dollars, if you have previously given instruction to receive cash dividend in Hong Kong Dollars), you should not complete the Dividend Election Form.

If you elect to receive the Final Dividend and Special Dividend wholly in New Shares, or partly cash and partly New Shares, or elect to receive the cash portion of the Final Dividend and Special Dividend and all future cash dividends in Hong Kong Dollars, you must use the enclosed Dividend Election Form. If you complete the Dividend Election Form but do not specify the number of existing Shares in respect of which you wish to receive New Shares under the Scrip Dividend Scheme, or if you elect to receive New Shares in respect of a greater number of existing Shares than your registered shareholding on the Record Date, you will be deemed to have exercised your election to receive New Shares in respect of all the Shares of which you were then registered as the holder. Besides, if you elect to receive New Shares in lieu of cash for the Final Dividend

and Special Dividend for part of your registered shareholding, you will receive the cash portion of the Final Dividend and Special Dividend in US Dollars (or Hong Kong Dollars, if you have previously given instruction to receive cash dividend in Hong Kong Dollars).

Any Shareholder who does not wish to receive the Final Dividend and Special Dividend wholly in the form of cash or wish to elect to receive the cash portion of the Final Dividend and Special Dividend and all future cash dividends in Hong Kong Dollars must make an appropriate election on the Dividend Election Form in accordance with the instructions printed thereon and return it to the Company's Share Registrars, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Thursday, 21 July 2011. No acknowledgment of receipt of the Dividend Election Form will be issued. If any Shareholder does not complete and return the Dividend Election Form by not later than 4:30 p.m. on Thursday, 21 July 2011, the Shareholder will receive the Final Dividend and Special Dividend in the form of cash in US Dollars (or Hong Kong Dollars, if you have previously given instruction to receive cash dividend in Hong Kong Dollars).

OVERSEAS SHAREHOLDERS

The Company has made enquiries with legal counsels where its overseas Shareholders are based regarding possible legal and regulatory restrictions in allowing such overseas Shareholders to participate in the Scrip Dividend Scheme. The Directors have been advised by the relevant local counsels that the issue of scrip dividend to overseas Shareholders is not subject to or is exempted from legal restrictions or requirements. Accordingly, a copy of this document, together with the Dividend Election Form, is also sent to all overseas Shareholders whose names appear on the register of members of the Company on the Record Date, who are entitled to elect for receiving New Shares under the Scrip Dividend Scheme as set out in this document.

Shareholders who are resident in Australia (the "Australian Shareholders") should note that, according to advice obtained by the Company from local legal advisers in Australia, in some circumstances the Corporations Act 2001 (Cth) of Australia imposes certain restrictions on the on-sale of shares in Australia without a disclosure document in the 12 months following the original issue of shares in reliance on an exemption, unless an exception or exemption applies. The advice obtained indicates that ASIC Class Order [04/671] applies to create an exception. The Australian Shareholders are advised to consult their own professional advisers as to whether to elect to receive the Final Dividend and Special Dividend in scrip form or cash form and in relation to future sale of any Shares so acquired.

The issue of New Shares has not been, and will not be, registered under any applicable securities legislation and/or regulation of any territory outside Hong Kong. The participation in the Scrip Dividend Scheme by overseas Shareholders may be affected by the laws of their relevant jurisdictions. No Shareholders receiving a copy of this document and/or a Dividend Election Form in any territory outside Hong Kong may treat the same as an invitation to elect for New Shares unless in the relevant territory such invitation could lawfully be made to him without having to comply with any unfulfilled registration or other legal requirements. Shareholders with a registered address outside Hong Kong or otherwise resident outside Hong Kong should consult their professional advisers as to whether or not they are permitted to receive the Final Dividend and Special Dividend in the form of an issue of New Shares or if any governmental or other consent is required or other formalities need to be observed, as to the taxation consequences of their decision and as to whether

there are any restrictions in relation to future sale of any Shares so acquired. Overseas Shareholders residing in a jurisdiction where it would be illegal for them to participate in the Scrip Dividend Scheme will be deemed to have received this document and/or Dividend Election Form for information only.

This document and the Dividend Election Form will not be registered in Hong Kong or in any other jurisdiction.

For the avoidance of doubt, this document and the Dividend Election Form do not constitute or form part of an offer or solicitation of any offer to buy securities of the Company to the public, and the Dividend Election Form is non-transferable.

LISTING AND DEALINGS

Application will be made to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the New Shares to be issued pursuant to the Scrip Dividend Scheme. Subject to the said application being granted by the Stock Exchange, it is expected that share certificates for the New Shares and/or cheques for cash dividend will be posted by ordinary mail to those entitled thereto at their own risk on or before Friday, 29 July 2011. Dealings of the New Shares on the Stock Exchange are expected to commence on 2 August 2011 after despatch to Shareholders of the certificates for the New Shares.

The primary listing of the existing Shares is on the Stock Exchange, and there is no official secondary listing of the existing Shares on any other stock exchange. No listing of, or permission to deal in, any of the existing Shares and/or New Shares on any stock exchange other than the Stock Exchange is being or is proposed to be sought.

Subject to the granting of listing of, and permission to deal in, the New Shares to be issued under the Scrip Dividend Scheme on the Stock Exchange, such New Shares will be accepted as eligible securities by Hong Kong Securities Clearing Company Limited for deposit, clearance and settlement in the Central Clearing and Settlement System. You should seek the advice of your stockbroker or other professional adviser for details of these settlement arrangements and how such settlement arrangements will affect your rights and interests.

RECOMMENDATION AND ADVICE

Whether or not it is to the Shareholders' advantages to receive New Shares or cash, in whole or in part, depends upon their own individual circumstances. The effect on the tax position of any Shareholder will depend on that Shareholder's particular circumstances. If you are in any doubt as to what to do, you should consult your professional advisers. Shareholders who are trustees are recommended to take professional advice as to whether the choice to receive cash or New Shares is within their powers and as to its effect having regard to the terms of the relevant trust instrument.

EXPECTED TIMETABLE

The last date on which transfers were accepted
for registration for participation in the issue of
New Shares 4:30 p.m. on Monday, 16 May 2011

Closure of register of members Tuesday, 17 May 2011
to Thursday, 19 May 2011

Fix the market value of a New Share
(5 trading days average) Thursday, 30 June 2011
to Thursday, 7 July 2011

Announcement setting out the basis of allotment of
the New Shares posted on the designated website of
HKEX and the Company’s website after the close of business
on Thursday, 7 July 2011

Latest time and date for return of
Dividend Election Form 4:30 p.m. on Thursday, 21 July 2011

Despatch of share certificates for the New Shares
and/or cheques for cash dividend on or before Friday, 29 July 2011

Commencement of dealings in the New Shares Tuesday, 2 August 2011

Yours faithfully,
LI Yinquan
Chairman