THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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)

PROPOSED SUBSCRIPTION UNDER THE RIGHTS ISSUE OF A SHARES OF CHINA MERCHANTS BANK CO., LTD.

POSSIBLE VERY SUBSTANTIAL DISPOSALS — RENEWAL OF THE MANDATES FOR PROPOSED DISPOSAL OF SHARES IN CHINA MERCHANTS BANK CO., LTD. AND INDUSTRIAL BANK CO., LTD.

A letter from the board of directors of China Merchants China Direct Investments Limited (the "**Company**") is set out on pages 5 to 20 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 3:00 p.m. on Monday, 5 December 2011 (the "**EGM**") is set out on pages 58 to 60 of this circular. Whether or not you are able to attend and/or vote at the EGM in person, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return it to the registered office of the Company at 1803, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form shall not preclude you from subsequently attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

Hong Kong, 17 November 2011

CONTENTS

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

"2010 Disposal Mandates"	the disposal mandates granted to the Directors by the Shareholders at the extraordinary general meeting of the Company held on 13 December 2010 to dispose of up to 65,830,102 CMB A Shares and 49,680,000 IBC A Shares held by the Group for a period of 12 months from the passing of the relevant resolutions, the details of which were set out in the announcement of the Company dated 8 November 2010 and the circular of the Company dated 26 November 2010
"Allocation Assumption"	the assumed allocation ratio of 2.2 CMB Rights Shares for every 10 existing CMB Shares, being the maximum allocation basis for the CMB Rights Issues after taking into account the maximum gross proceeds of the CMB Rights Issues at RMB35 billion and the Subscription Price Assumption
"Assumptions"	the Allocation Assumption and the Subscription Price Assumption
"Board"	the 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 Rights Issue"	the rights issue of CMB A Shares on the basis of up to 2.2 CMB A Rights Shares for every 10 existing CMB A Shares, the details of which have been set out in the CMB Circular
"CMB A Rights Shares"	the new CMB A Shares proposed to be allotted and issued pursuant to the CMB A Rights Issue
"CMB A Shares"	PRC-listed domestic shares of par value of RMB1.00 each in the registered capital of CMB
"CMB Circular"	the circular issued by CMB on 25 July 2011 in relation to the CMB Rights Issues
"CMB Disposal Mandate"	the disposal mandate proposed to be granted by the Shareholders to the Directors to dispose of the CMB Interests during the Mandate Period, the terms of which are set out in the "Letter from the Board" of this circular

"CMB H Rights Issue"	the rights issue of CMB H Shares on the basis of up to 2.2 CMB H Rights Shares for every 10 existing CMB H Shares, the details of which have been set out in the CMB Circular
"CMB H Rights Shares"	the new CMB H Shares proposed to be allotted and issued pursuant to the CMB H Rights Issue
"CMB H Shares"	overseas listed foreign share(s) in the registered capital of CMB
"CMB Interests"	the 65,830,102 CMB A Shares held by the Company as at the Latest Practicable Date and the 14,482,622 CMB A Rights Shares estimated to be allotted and issued to the Company pursuant to the CMB A Rights Issue which are freely tradable on the SSE, representing the entire interest held by the Group in CMB
"CMB Rights Issues"	the CMB A Rights Issue and the CMB H Rights Issue
"CMB Rights Shares"	the CMB A Rights Shares and the CMB H Rights Shares
"Company"	China Merchants China Direct Investments Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange
"Conditions"	the conditions on which the Waiver was granted by the Stock Exchange
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Directors"	the directors of the Company
"Disposal Announcement"	the announcement of the Company dated 27 October 2011 in relation to the Proposed Disposals
"Disposal Mandates"	the CMB Disposal Mandate and the IBC Disposal Mandate
"EGM"	the extraordinary general meeting proposed to be convened by the Company to consider and, if thought fit, to approve the grant of mandates for the Proposed Subscription and the Proposed Disposals
"Ex-rights Loss"	the loss of approximately RMB53.32 million for the CMB A Shares held by the Company on the ex-rights date of the CMB A Rights Issue based on the Assumptions if the Company does not subscribe for any CMB A Rights Shares

"Group"	the Company, its subsidiaries, jointly controlled entities and associated companies
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"IBC"	興業銀行股份有限公司 (Industrial Bank Co., Ltd.), a joint-stock commercial bank approved by the CBRC in the PRC with limited liability, whose A shares are listed on the SSE
"IBC A Shares"	PRC-listed domestic shares of par value of RMB1.00 each in the registered capital of IBC
"IBC Disposal Mandate"	the disposal mandate proposed to be granted by the Shareholders to the Directors to dispose of the IBC Interests during the Mandate Period, the terms of which are set out in the "Letter from the Board" in this circular
"IBC Interests"	the 44,624,000 IBC A Shares held by the Company as at the Latest Practicable Date which are freely tradable on the SSE, representing the entire interest held by the Group in IBC
"Investment Manager"	China Merchants China Investment Management Limited, a fund management company incorporated in Hong Kong with limited liability and registered under the SFO
"Investment Restriction"	the investment restriction resolved by the Board as disclosed in the prospectus of the Company dated 15 July 1993
"Latest Practicable Date"	11 November 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mandate Period"	twelve calendar months from the passing of the relevant resolution(s) at the EGM
"PRC"	The People's Republic of China
"Proposed CMB Disposal"	the proposed disposal of all or part of the CMB Interests by the Group pursuant to the CMB Disposal Mandate
"Proposed Disposals"	the Proposed CMB Disposal and the Proposed IBC Disposal

"Proposed IBC Disposal"	the proposed disposal of all or part of the IBC Interests by the Group pursuant to the IBC Disposal Mandate
"Proposed Subscription"	the proposed subscription for CMB A Rights Shares by the Company pursuant to the CMB A Rights Issue
"Remaining Group"	the Group excluding its investments in the CMB Interests or the IBC Interests
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	share(s) of US$0.10 each in the share capital of the Company
"Shareholders"	shareholders of the Company
"SSE"	Shanghai Stock Exchange
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Announcement"	the announcement of the Company dated 20 September 2011 in relation to the Proposed Subscription
"Subscription Price Assumption"	the assumed subscription price of RMB7.37 per CMB Rights Share, being the minimum subscription price of the CMB Rights Issues estimated with reference to the maximum gross proceeds of and maximum allocation basis for the CMB Rights Issues as set out in the CMB Circular
"Waiver"	the waiver from strict compliance with Rule 21.04(3)(b) of the Listing Rules granted by the Stock Exchange in relation to the subscription for CMB A Rights Shares allotted and issued to the Company pursuant to the CMB A Rights Issue
"US$"	United States dollars, the lawful currency of United States of America
"%"	per cent

For illustrative purposes in this circular only, RMB1 = HK$1.2264, US$1 = HK$7.7942 and US$1 = RMB6.3549

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)

Non-executive Director:
Mr. KE Shifeng

Independent Non-executive Directors:
Mr. LI Kai Cheong, Samson
Mr. LIU Baojie
Mr. XIE Tao
Mr. ZHU Li

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

17 November 2011

To the Shareholders

Dear Sir or Madam,

PROPOSED SUBSCRIPTION UNDER THE RIGHTS ISSUE OF A SHARES OF CHINA MERCHANTS BANK CO., LTD.

POSSIBLE VERY SUBSTANTIAL DISPOSALS — RENEWAL OF THE MANDATES FOR PROPOSED DISPOSAL OF SHARES IN CHINA MERCHANTS BANK CO., LTD. AND INDUSTRIAL BANK CO., LTD.

1. INTRODUCTION

Reference is made to the Subscription Announcement and the Disposal Announcement in relation to the Proposed Subscription and the Proposed Disposals. The purpose of this circular is to provide you with further details of, and other disclosures in connection with, the Proposed Disposals required under the Listing Rules, including the financial information of the CMB Interests and the IBC Interests required under Rule 14.68(2) of the Listing Rules, together with the notice of the EGM for approving the Proposed Subscription and the Proposed Disposals and other information required by the Listing Rules.

2. THE PROPOSED SUBSCRIPTION

(A) Background

The CMB Interests

From 1994 to 1998, the Company acquired certain domestic shares of CMB. The Company's holdings in CMB were converted into CMB A Shares pursuant to CMB's share reform plan in 2006 and were subject to lock-up until early 2008. After CMB's share reform plan and the Company's various disposals of its holdings in CMB since 2008, as at the Latest Practicable Date, the Company held 65,830,102 CMB A Shares, representing approximately 0.31% of CMB's issued share capital based on publicly available information.

The CMB Rights Issues

On 9 September 2011, CMB obtained approval by its shareholders to launch the proposed CMB A Rights Issue. Details of the CMB Rights Issues were set out in the CMB Circular. According to the CMB Circular, the CMB Rights Issues will be conducted on the basis of: (i) up to 2.2 CMB Rights Shares for every 10 existing CMB Shares; (ii) the gross proceeds of the CMB Rights Issues will be not more than RMB35 billion; and (iii) the CMB Rights Shares will be issued at not less than RMB6.21 per CMB Rights Share.

Taking into account the maximum gross proceeds of the CMB Rights Issues at RMB35 billion and the maximum allocation basis for the CMB Rights Issues of 2.2 CMB Rights Shares for every 10 existing CMB Shares (i.e. the "**Allocation Assumption**"), the CMB Rights Shares will be issued at RMB7.37 per CMB Rights Share (i.e. the "**Subscription Price Assumption**").

The Proposed Subscription

Based on the Allocation Assumption, the Company estimates approximately 14,482,622 CMB A Rights Shares will be allotted and issued to the Company in nil-paid form pursuant to the CMB A Rights Issue (subject to final determination of CMB). For the reasons discussed in the paragraph "(B) Reasons for the Proposed Subscription" below, the Company plans to subscribe for its CMB A Rights Shares in full. Based on the Subscription Price Assumption, the Company estimates the cost of the Proposed Subscription is approximately RMB107 million (subject to final determination of CMB). The Proposed Subscription is subject to Shareholders' approval as one of the Conditions of the Waiver. Please refer to the paragraph "(C) Regulatory Issues in relation to the Proposed Subscription — Conditions of the Waiver" below for details.

(B) **Reasons for the Proposed Subscription**

The Company understands that there is no arrangement for trading in nil-paid CMB A Rights Shares under the CMB A Rights Issue. Based on the Assumptions and the price of RMB11.88 per CMB A Share (being the closing price of CMB A Shares on the Latest Practicable Date), the theoretical ex-rights price is approximately RMB11.07 per CMB A Share. In other words, the value of every nil-paid CMB A Rights Share is approximately RMB0.81. If the Company does not subscribe for any of its CMB A Rights Shares, the Company will suffer a loss of approximately RMB53.32 million for the CMB Interests on the ex-rights date based on the Assumptions (i.e. the "**Ex-rights Loss**").

While it has been the Company's known policy to dispose of the CMB Interests in gradual manner, the Company believes that the Shareholders will benefit from the Company subscribing for CMB A Rights Shares in the CMB A Rights Issue, to be followed by disposal of such CMB A Rights Shares within a reasonable timeframe. In light of the above circumstances, the Company is of the view that the Proposed Subscription would be in the best interest of the Shareholders.

(C) **Regulatory Issues in relation to the Proposed Subscription**

Rule 21.04(3)(b) of the Listing Rules

Rule 21.04(3)(b) of the Listing Rules provides that an investment company and its management must ensure compliance at all times while it remains listed under Chapter 21 of the Listing Rules that "a reasonable spread of investments will be maintained by the investment company. Generally this will mean that the value of its holding of investments issued by any one company or body shall not exceed 20% of the investment company's net asset value at the time when such investment is made".

The Investment Restriction

As disclosed in the prospectus of the Company dated 15 July 1993, the Board resolved the Investment Restriction in line with Rule 21.04(3)(b) of the Listing Rules on the following terms at the time of the Company's initial public offering in 1993:

(i) the Company will not purchase any security or make any investment if, as a result, more than 20% of the Company's net asset value would be invested in any one company or enterprise;

(ii) the Investment Restriction will not require the realization of any investment of the Company where such Investment Restriction is breached as a result of any event outside the control of the Company occurring after the relevant investment is made, but no further investment may be made until the Investment Restriction can again be complied with; and

(iii) the Investment Restriction may not be amended while the shares of the Company remain listed on the Stock Exchange except with the approval of the Shareholders in general meeting and with the prior written consent of the Stock Exchange.

Steps taken to achieve a balanced portfolio

The Directors note that the investment in CMB has become increasing significant to the Company as a result of the rapid appreciation in CMB A Shares since CMB's listings in Shanghai in 2002. The Company fully appreciates the importance of maintaining a "reasonable spread of investments" and it takes the obligation to achieve a balanced portfolio seriously. Since the expiry of the lock-up periods in early 2008, the Company has been actively disposing of its CMB A Shares in recent years. In 2008, 2009 and 2010, the Company sold 5,945,000 CMB A Shares, 34,000,000 CMB A Shares and 59,340,000 CMB A Shares respectively. In other words, the Company sold an aggregate of 99,285,000 CMB A Shares pursuant to the relevant disposal mandates granted by the Shareholders during these years. Notwithstanding the Company has not purchased any CMB A Shares since the completion of the last CMB rights issue in 2010, given the fair value fluctuation of the Company's various investments, the CMB Interests recently exceeded 20% of the Company's net asset value.

As excessive cash component in the Company's portfolio (as a result of such disposals) would not achieve a reasonable spread of investments, the Company has taken active steps to identify and made new investments for portfolio adjustment. By illustration, the Company made new investments of approximately RMB157 million, RMB270 million and RMB470 million (or RMB630 million on committed basis) in 2008, 2009 and 2010 respectively. Based on the Company's current business plan for 2011, subject to market conditions and various factors, the aggregate amount of new investment made or to be made by the Company is expected to reach approximately RMB340 million.

Circumstances of the Stock Exchange's Waiver

As at the Latest Practicable Date, the CMB A Shares held by the Company accounted for approximately 24.11% of the Company's net asset value based on the Company's unaudited consolidated accounts as at 30 September 2011. Since the Proposed Subscription would constitute further investment in CMB, it is therefore subject to Rule 21.04(3)(b) of the Listing Rules and the Investment Restriction.

Conditions of the Waiver

The Company has applied for, and the Stock Exchange has granted, the Waiver on the following Conditions:-

(i) the Company will obtain Shareholders' approval for the Proposed Subscription;

(ii) the Company will dispose of a minimum of 10,500,000 CMB A Shares by the ex-rights date to be announced by CMB in relation to the CMB A Rights Issue;

(iii) within six months from the completion of the CMB A Rights Issue, the Company will further dispose of CMB A Shares to the extent that its CMB Interests will not exceed 20% of the Company's net asset value; and

(iv) the Company will publish an announcement on the grant of the Waiver setting out relevant details including the circumstances and conditions imposed as soon as possible.

The Company is of the view that the consent of the Stock Exchange required under the Investment Restriction has been satisfied by the grant of the Waiver.

The Company's view on the Conditions

The Conditions were imposed by the Stock Exchange after taking into account the circumstances of the Proposed Subscription.

While the Board is strongly of the view that the Proposed Subscription is in the best interest of the Shareholders, the Board believes that the regulatory concern for maintaining a reasonable spread of investments under Rule 21.04(3)(b) of the Listing Rules is being considered in the Proposed Subscription by the introduction of the Conditions in the Waiver.

The Board believes that Conditions (i) and (iv) will provide the Shareholders with sufficient information on the Proposed Subscription such that the Shareholders will be able to make a fully informed decision on the approval of the Proposed Subscription. The Subscription Announcement was issued by the Company pursuant to Condition (iv).

The Board believes that Condition (ii) will ensure that the Company will not be required to contribute any new fund for the Proposed Subscription (other than the proceeds from the disposal under Condition (ii)) — such as to minimize the effect of making "new investment" in CMB as restricted under Rule 21.04(3)(b) of the Listing Rules. The disposal of a minimum of 10,500,000 CMB A Shares before the ex-rights date of the CMB A Rights Issue will be covered by the 2010 Disposal Mandates and is not subject to further Shareholders' approval and such disposal is part of the Company's plan to achieve a more balanced portfolio in a commercially viable manner.

The Board believes that Condition (iii) will ensure that the Company will maintain a reasonable spread of investments by disposing of a portion of the CMB Interests within a reasonable timeframe.

(D) **Other Implications under the Listing Rules**

As the discloseable transaction requirements would not be applicable to the Company being an issuer listed under Chapter 21 of the Listing Rules and each of the applicable size tests ratios of the Proposed Subscription is less than 25%, the Proposed Subscription would not trigger any implications under Chapter 14 of the Listing Rules for the Company. In addition, to the best of the Directors' knowledge, information and belief, having made reasonable enquiry, CMB is not a connected person for the Company under the Listing Rules and the Proposed Subscription would not constitute a connected transaction for the Company.

(E) **Shareholders' Approval for the Proposed Subscription**

As one of the Conditions on which the Stock Exchange granted the Waiver to the Company, the Company is required to obtain the Shareholders' approval to proceed with the Proposed Subscription. An ordinary resolution will be proposed at the EGM for the Shareholders to approve the Proposed Subscription. The Proposed Subscription might be inconsistent with the Investment Restriction that the Company shall not purchase any security or make any investment if, as a result, more than 20% of the net asset value of the Company would be invested in any one company or enterprise. Accordingly, the Company will also seek the Shareholders' approval at the EGM to waive the Investment Restriction in connection with the Proposed Subscription.

Shareholders and investors should note that the CMB Rights Issues will be subject to various conditions and its terms are subject to final determination of CMB. The indicative figures mentioned in this circular are derived from the Assumptions and may be subject to change. Shareholders and investors are recommended to exercise caution in dealing in or exercising their rights in relation to securities in the Company.

3. THE PROPOSED DISPOSALS

The Company obtained the 2010 Disposal Mandates from the Shareholders to dispose of up to 65,830,102 CMB A Shares and 49,680,000 IBC A Shares held by the Group for a period of 12 months from the passing of the relevant resolutions at the extraordinary general meeting of the Company held on 13 December 2010. Details of the 2010 Disposal Mandates were set out in the announcement of the Company dated 8 November 2010 and the circular of the Company dated 26 November 2010. As at the Latest Practicable Date, the Company (i) had not disposed of any CMB A Shares and (ii) had disposed of an aggregate of 38,400,000 IBC A Shares under the 2010 Disposal Mandates.

As at the Latest Practicable Date, 65,830,102 CMB A Shares and 44,624,000 IBC A Shares (including 33,344,000 IBC A Shares received on 9 May 2011 pursuant to the distribution by IBC of bonus shares converted from its capital reserve on the basis of 8 bonus IBC A Shares for every 10 existing IBC A Shares) were held by the Company. It has been the known policy of the Company to dispose of the CMB Interests and the IBC Interests held by the Group in a gradual manner. In view of the imminent expiry of the 2010 Disposal Mandates on 12 December 2011, the Board proposes to seek the approval of the Shareholders at the EGM to grant fresh mandates to the Board to dispose of the CMB Interests and the IBC Interests for another 12 months from the date of the EGM.

(A) The Proposed CMB Disposal

Maximum number of CMB A Shares to be disposed of

As at the Latest Practicable Date, the Company beneficially owned a total of 65,830,102 CMB A Shares, which are listed and freely tradable on the SSE, representing approximately 0.31% interest in the issued share capital of CMB based on publicly available information.

As disclosed in the section headed "The Proposed Subscription" of this letter, the Company proposes to subscribe for the CMB A Rights Shares that will be allotted to it in nil-paid form pursuant to the CMB A Rights Issue in full subject to the Shareholders' approval. Based on the Assumptions, the Company estimates that approximately 14,482,622 CMB A Rights Shares will be allotted and issued to the Company in nil-paid form pursuant to the CMB A Rights Issue (subject to final determination of CMB).

The Board proposes to seek the approval of the Shareholders to grant a disposal mandate to the Directors to dispose of the CMB Interests during the Mandate Period. The CMB Interests, comprising the 65,830,102 CMB A Shares held by the Company as at the Latest Practicable Date and the 14,482,622 CMB A Rights Shares estimated to be allotted and issued to the Company pursuant to the CMB A Rights Issue, represent the entire interest held by the Group in CMB.

As at the Latest Practicable Date, the Group did not have any discussion with any party to dispose of the CMB Interests. Nevertheless, the Board is of the view that it would be in the best interest of the Shareholders and the Company for the Directors to have flexibility in disposing of the CMB Interests.

After the expiry of the 2010 Disposal Mandates, if the Group proceeds with the Proposed CMB Disposal and on the assumption that all CMB A Shares held by the Group are to be disposed of, the Proposed CMB Disposal may constitute a very substantial disposal of the Company under Chapter 14 of the Listing Rules and require compliance with the announcement, circular and shareholders' approval requirements under the Listing Rules.

Terms of the CMB Disposal Mandate

The Company proposes to seek the CMB Disposal Mandate for the Proposed CMB Disposal at the EGM on the following terms:

1. the Group will dispose of the CMB Interests in the open market through the trading system of the SSE;

2. the selling price of the CMB A Shares will be the market price of the CMB A Shares at the relevant times, where market price refers to the price allowed under the trading system of the SSE, but will not be less than RMB7.20 (equivalent to approximately HK$8.83) per CMB A Share; and

3. the disposal mandate is for a 12-month period from the passing of the relevant resolution(s) at the EGM.

Basis for determining the minimum selling price

The minimum selling price of RMB7.20 was determined on the basis of the net asset value of CMB for the current year estimated by the Company with reference to the audited net asset value per share of CMB as at 31 December 2010 (adjusted as a result of distribution of dividend) and the average rate of return on equity of 16 PRC listed banks for the year ended 31 December 2010. Based on publicly available information, such average rate of return on equity of listed PRC banks was approximately 20%.

The minimum selling price per CMB A Share of RMB7.20 represents:

— a discount of approximately 39.39% to the closing price of RMB11.88 per CMB A Share as quoted on the SSE as at 11 November 2011, being the Latest Practicable Date; and

— a discount of approximately 33.52% to the lowest closing price of RMB10.83 per CMB A Share as quoted on the SSE in the last 12 months up to and including the Latest Practicable Date.

In order to maximize efficiency for the Directors to act under the dynamic market conditions and economic situation during the one-year Mandate Period, the Directors consider that the deviation of the minimum selling price from the trading prices of the CMB A Shares as illustrated above is of strategic advantage to the Company and is in the interest of the Company and the Shareholders as a whole. The minimum selling price reflects the lowest acceptable price to dispose of the CMB A Shares but is not the expected price at which the Company targets to dispose of the CMB A Shares. The Directors will consider the general market conditions, progress of making new investments and performance of CMB A Shares, IBC A Shares and other investements of the Company in exercising the CMB Disposal Mandate.

Having considered the above factors, the Directors consider that the minimum selling price of RMB7.20 per CMB A Share will allow flexibility for the Directors to accommodate fluctuations in the market conditions in the exercise of the CMB Disposal Mandate, and is thus fair and reasonable as far as the Company and the Shareholders are concerned.

Manner of disposal

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

Under the CMB Disposal Mandate proposed to be granted to the Directors, the Group may dispose all or part of the CMB Interests on the SSE through its trading system. The Group will delegate all necessary power to the Investment Manager to handle all matters relating to the Proposed CMB Disposal. 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 will require the Investment Manager to report and clear with the board committee after the sales of every 6,000,000 CMB A Shares. All elaborations, discussions and decisions in relation to the timing, price and amount of the Proposed CMB Disposal will be kept confidential. The Company will publish an announcement every month to disclose the number of CMB A Shares disposed of pursuant to the CMB Disposal Mandate on aggregate basis and the net proceeds arising therefrom.

Disposal of CMB A Shares under the 2010 Disposal Mandates

As disclosed in the circular of the Company dated 20 April 2010 in relation to the subscription of rights shares under the rights issue of IBC A Shares (the "**2010 IBC A Rights Issue**"), a waiver was granted by the Stock Exchange to the Company from strict compliance with Rule 21.04(3)(b) of the Listing Rules. The aforesaid waiver was conditional upon, among others, disposal of a minimum of

4,000,000 IBC A Shares by the ex-rights date of the 2010 IBC A Rights Issue and further disposal of IBC A Shares such that the Company's interests in IBC would no longer exceed 20% of the Company's net asset value. As disclosed in the circular of the Company dated 26 November 2010 in relation to the 2010 Disposal Mandates, the Company prioritized its efforts to satisfy the aforesaid conditions imposed by the Stock Exchange. In view of the Company's obligation to achieve a balanced investment portfolio without an excessive cash component, the Company had not disposed of any CMB A Shares under the 2010 Disposal Mandates.

Information about CMB

According to the 2010 annual report of CMB and publicly available information, CMB has over 820 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 at 31 December 2010, CMB had a total share capital of RMB21,577 million. From publicly available information, the Company understands that the main business activities of CMB include: 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; engaging in agency collections and payments as well as insurance agency business; providing safe deposit 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 for foreign currency quoted securities except stocks; issuing and issuing as agent for foreign currency quoted securities except stocks; engaging in proprietary trading and trading on behalf of clients 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 short-term commercial papers; trading derivative products; and other businesses approved by the CBRC.

The following sets out a summary of financial information of CMB for the two years ended 31 December 2010 which were prepared under the PRC accounting standards:

	For the year ended 31 December			
	2010		**2009**	
	(RMB million) (audited)	*HK$ million equivalent*	*(RMB million) (audited)*	*HK$ million equivalent*
Profit before taxation	33,343	40,892	22,384	27,452
Profit after taxation	25,769	31,603	18,235	22,363
Net asset value	134,006	164,345	92,783	113,789

As at 31 December 2010, the audited consolidated net asset value of CMB amounted to approximately RMB134,006 million (equivalent to approximately HK$164,345 million) and the audited net asset value per CMB A Share was RMB6.21. The Group held a 0.31% and 0.58% interest of CMB at the financial year end of 2010 and 2009 respectively. The audited net asset value attributable to the CMB A Shares held by the Group was approximately RMB415 million (equivalent to approximately HK$509 million) as at 31 December 2010. Dividend income received by the Group from CMB amounted to approximately RMB26.29 million (equivalent to approximately HK$32.24 million) in 2010 and approximately RMB9.38 million (equivalent to approximately HK$11.50 million) in 2009. The change in fair value on CMB attributable to the Group amounted to loss of approximately US$39.86 million (equivalent to approximately HK$310.68 million) in 2010 and gain of approximately US$144.75 million (equivalent to approximately HK$1,128.21 million) in 2009 respectively.

The highest and lowest closing price of CMB A Shares as quoted on the SSE in the last 12 months up to and including the Latest Practicable Date was RMB15.85 and RMB10.83 (equivalent to approximately HK$19.44 and HK$13.28) respectively. As at the Latest Practicable Date, the closing price of CMB A Shares as quoted on the SSE was RMB11.88 (equivalent to approximately HK$14.57).

(B) **The Proposed IBC Disposal**

Maximum number of IBC A Shares to be disposed of

As at the Latest Practicable Date, the Company beneficially owned a total of 44,624,000 IBC A Shares (including 33,344,000 IBC A Shares received on 9 May 2011 pursuant to the distribution by IBC of bonus shares converted from its capital reserve on the basis of 8 bonus IBC A Shares for every 10 existing IBC A Shares), which are listed and freely tradable on the SSE, representing approximately 0.41% interest in the issued share capital of IBC based on publicly available information.

The Board proposes to seek the approval of the Shareholders to grant a disposal mandate to the Directors to dispose of the IBC Interests during the Mandate Period. The IBC Interests, comprising the 44,624,000 IBC A Shares held by the Company as at the Latest Practicable Date, represent the entire interest held by the Group in IBC.

As at the Latest Practicable Date, the Group did not have any discussion with any party to dispose of the IBC Interests. Nevertheless, the Board is of the view that it would be in the best interest of the Shareholders and the Company for the Directors to have the flexibility in disposing of the IBC interests.

After the expiry of the 2010 Disposal Mandates, if the Group proceeds with the Proposed IBC Disposal and on the assumption that all IBC A Shares held by the Group are to be disposed of, the Proposed IBC Disposal may constitute a very substantial disposal of the Company under Chapter 14 of the Listing Rules and require compliance with the announcement, circular and shareholders' approval requirements under the Listing Rules.

Prioritizing disposal of the CMB interests

In order to satisfy the Condition (iii) as referred to in the section headed "The Proposed Subscription" in this letter (the portfolio adjustment of the CMB Interests), the Company will prioritize its efforts in disposing of the CMB interests with reference to general market conditions, progress of making new investments and performance of CMB A Shares, IBC A Shares and other investments of the Company. The Company will also keep a keen eye on the performance of the IBC A Shares throughout the Mandate Period and dispose of the IBC Interests should the Directors consider it a right timing for doing so. Given the volatility of the present-day stock market, disposing of shares at the best possible price requires prompt disposal actions at the right timing. The Directors would therefore like to have the flexibility in disposing of the IBC Interests in order to capture market opportunities and dispose of the IBC A Shares at the best possible price.

Terms of the IBC Disposal Mandate

The Company proposes to seek the IBC Disposal Mandate for the Proposed IBC Disposal at the EGM on the following terms:

1. the Group will dispose of the IBC Interests in the open market through the trading system of the SSE;

2. the selling price of the IBC A Shares will be the market price of the IBC A Shares at the relevant times, where market price refers to the price allowed under the trading system of the SSE, but will not be less than RMB10.00 (equivalent to approximately HK$12.26) per IBC A Share; and

3. the disposal mandate is for a 12-month period from the passing of the relevant resolution(s) at the EGM.

Basis for determining the minimum selling price

The minimum selling price of RMB10.00 was determined on the basis of the net asset value of IBC for the current year estimated by the Company with reference to the audited net asset value per share of IBC as at 31 December 2010 (adjusted as a result of distribution of dividend) and the average rate of return on equity of 16 PRC listed banks for the year ended 31 December 2010. Based on publicly available information, such average rate of return on equity of listed PRC banks was approximately 20%.

The minimum selling price per IBC A Share of RMB10.00 represents:

— a discount of approximately 22.72% to the closing price of RMB12.94 per IBC A Share as quoted on the SSE as at 11 November 2011, being the Latest Practicable Date; and

— a discount of approximately 16.74% to the lowest closing price of RMB12.01 per IBC A Share as quoted on the SSE in the last 12 months up to and including the Latest Practicable Date.

In order to maximize efficiency for the Directors to act under the dynamic market conditions and economic situation during the one-year Mandate Period, the Directors consider that the deviation of the minimum selling price from the trading prices of the IBC A Shares as illustrated above is of strategic advantage to the Company and is in the interests of the Company and the Shareholders as a whole. The minimum selling price reflects the lowest acceptable price to dispose of the IBC A Shares but is not the expected price at which the Company targets to dispose of the IBC A Shares. The Directors will consider the general market conditions, progress of making new investments and performance of CMB A Shares, IBC A Shares and other investements of the Company in exercising the IBC Disposal Mandate.

Having considered the above factors, the Directors consider that the minimum selling price of RMB10.00 per IBC A Share will allow flexibility for the Directors to accommodate fluctuations in the market conditions in the exercise of the IBC Disposal Mandate, and is thus fair and reasonable as far as the Company and the Shareholders are concerned.

Manner of disposal

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

Under the IBC Disposal Mandate proposed to be granted to the Directors, the Group may dispose all or part of the IBC Interests on the SSE through its trading system. The Group will delegate all necessary power to the Investment Manager to handle all matters relating to the Proposed IBC Disposal. 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 will require the Investment Manager to report and clear with the board committee after the sales of every 4,000,000 IBC A Shares. All elaborations, discussions and decisions in relation to the timing, price and amount of the Proposed IBC Disposal will be kept confidential. The Company will publish an announcement every month to disclose the number of IBC A Shares disposed of pursuant to the IBC Disposal Mandate on aggregate basis and the net proceeds arising therefrom.

Information about IBC

According to the 2010 annual report of IBC and publicly available information, IBC has over 570 branches and offices throughout the PRC. As at 31 December 2010, IBC had a total share capital of RMB5,992 million, which was then increased to RMB10,786 million after issuance of bonus shares converted from its capital reserve in May 2011. From publicly available information, the Company understands that the main business activities of IBC include: taking deposits from the public; granting short, medium and long-term loans; handling domestic and international settlements; handling bills and notes 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; acting as agent for the issue of quoted securities other than stocks; trading quoted securities other than stocks, either on its own behalf or on behalf of clients; asset custody business; 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; engaging in agency collections and payments as well as insurance agency business; providing safe deposit box services; providing financial consultancy, credit investigations, advisory and attestation services; finance leasing; trust business; trust related services and other businesses approved by the CBRC.

The following sets out a summary of financial information of IBC for the two years ended 31 December 2010 which were prepared under the PRC accounting standards:

	For the year ended 31 December			
	2010		2009	
	(RMB million) (audited)	*HK$ million equivalent*	*(RMB million) (audited)*	*HK$ million equivalent*
Profit before taxation	24,005	29,440	17,229	21,130
Profit after taxation	18,521	22,714	13,282	16,289
Net asset value	91,995	112,823	59,597	73,090

As at 31 December 2010, the audited consolidated net asset value of IBC amounted to approximately RMB91,995 million (equivalent to approximately HK$112,823 million) and the audited net asset value per IBC A Share was RMB8.53 (as adjusted by the distribution by IBC of bonus shares converted from its capital reserve). The Group held a 0.83% and 0.94% interest of IBC at the financial year end of 2010 and 2009 respectively. The audited net asset value attributable to the IBC A Shares held by the Group was approximately RMB764 million (equivalent to approximately HK$937 million) as at 31 December 2010. Dividend income received by the Group from IBC amounted to approximately RMB21.68 million (equivalent to approximately HK$26.59 million) in 2010 and RMB23.40 million (equivalent to approximately HK$28.70 million) in 2009. The change in fair value on IBC attributable to the Group amounted to loss of approximately US$91.90 million (equivalent to approximately HK$716.29 million) in 2010 and gain of approximately US$176.67 million (equivalent to approximately HK$1,377.00 million) in 2009 respectively.

The highest and lowest closing price of IBC A Shares as quoted on the SSE in the last 12 months up to and including the Latest Practicable Date was RMB17.49 (adjusted for bonus share issue) and RMB12.01 (equivalent to approximately HK$21.45 (adjusted for bonus share issue) and HK$14.73) respectively. As at the Latest Practicable Date, the closing price of IBC A Shares as quoted on the SSE was RMB12.94 (equivalent to approximately HK$15.87).

(C) **Reasons for and Benefits of the Proposed Disposals**

As stated in the 2011 interim report of the Company, the Group will continue to make every effort to identify new investment projects, while maintaining an emphasis on investment opportunities in consumer goods (with particular focus on consumer-oriented projects in second-and third-tier cities), financial services, culture and media, pharmaceuticals, energy and environmental protection. The Group will also seek to optimize its mix of investments in order to create greater shareholder value.

The proceeds from the Proposed Disposals (if the CMB Disposal Mandate or the IBC Disposal Mandate is exercised in part or in full) are intended to be applied to present and future investments of the Group and will put the Group in a better and more flexible financial position to take advantage of current and future investment opportunities should they arise.

Upon approval of the CMB Disposal Mandate by the Shareholders, the Company will prioritize its efforts to satisfy the Conditions to dispose of the CMB A Shares within 6 months from the completion of the CMB A Rights Issue such that its CMB Interests no longer exceed 20% the Company's net asset value within the stipulated time frame, while taking into account general market conditions, progress of making new investments and performance of CMB A Shares, IBC A Shares and other investments of the Company.

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

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

(D) **Financial Effects of the Proposed Disposals**

As at the Latest Practicable Date, the CMB Interests accounted for approximately 24.11% of the Company's net asset value based on the Company's unaudited consolidated accounts as at 30 September 2011. Based on the carrying amount of the CMB Interests held by the Company as at 31 December 2010 which was US$127.33 million (equivalent to approximately HK$992.44 million) and the minimum selling price of RMB7.20 (equivalent to approximately HK$8.83), the expected realized accounting loss on the disposal of the CMB Interests is US$52.75 million (equivalent to approximately HK$411.14 million).

As at the Latest Practicable Date, the IBC Interests accounted for approximately 18.31% of the Company's net asset value based on the Company's unaudited consolidated accounts as at 30 September 2011. Based on the carrying amount of the IBC Interests as at 31 December 2010 which was US$89.99 million (equivalent to approximately HK$701.40 million) and the minimum selling price of RMB10.00 (equivalent to approximately HK$12.26), the expected realized accounting loss on the disposal of the IBC Interests is US$19.77 million (equivalent to approximately HK$154.09million).

Based on the unaudited pro forma financial information of the Remaining Group in respect of the Proposed CMB Disposal and the Proposed IBC Disposal as set out in Appendix II to this circular, it is believed that the Proposed Disposals would not have any material adverse effects on the total assets and total liabilities of the Group.

The Shareholders should note that the actual amounts of proceeds, accounting gain or loss and effects on the net assets and earnings of the Group depend on the actual selling price of the CMB A Shares and the IBC A Shares disposed of by the Group pursuant to the Disposal Mandates.

Apart from making monthly announcements to disclose the number of CMB A Shares and IBC A Shares disposed of pursuant to the Disposal Mandates and the proceeds arising therefrom, the Company will also disclose the same in the interim report and annual report of the Company.

(E) Implications under the Listing Rules

If the Group proceeds with the Proposed CMB Disposal and the Proposed IBC Disposal after the expiry of the 2010 Disposal Mandates, the aggregate of all the shares to be disposed of under the Proposed Disposals may constitute a very substantial disposal of the Company under Chapter 14 of the Listing Rules. The Proposed Disposals would then be subject to the requirements of announcement, circular and the Shareholders' approval under the Listing Rules. The Board thus proposes to seek the Shareholders' approval of the CMB Disposal Mandate and the IBC Disposal Mandate.

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

4. EXTRAORDINARY GENERAL MEETING

Set out on pages 58 to 60 of this circular is a notice convening the EGM to be held at JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Monday, 5 December 2011 at 3:00 p.m. at which resolutions will be proposed to the Shareholders to consider and, if thought fit, approve the Proposed Subscription and the Proposed Disposals, which shall be voted by way of poll.

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

5. ACTION TO BE TAKEN

A form of proxy for use at the EGM is also enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's registered office at 1803, China

Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

6. GENERAL INFORMATION

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

Whether the Company decides to proceed with the Proposed Disposals (or not to proceed) will depend on a number of factors including without limitation prevailing market sentiments and market conditions at the proposed time of executing the Proposed Disposals. The decision will also be subject to compliance by the Company with all applicable requirements under the Listing Rules. While the Company currently intends to proceed with the Proposed Disposals after the applicable requirements under the Listing Rules are complied with, it should be emphasized that save for the disposal of 10,500,000 CMB A Shares and the disposal of further CMB A Shares to the extent that the interest of the Group in CMB would not exceed 20% of the net asset value of the Company within the time frame as required under the Conditions, 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 CMB Disposal and the Proposed IBC Disposal are independent of each other and not inter-conditional.

7. RECOMMENDATION

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

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

By Order of the Board
ZHOU Linda Lei
Director

1. UNAUDITED FINANCIAL INFORMATION ON THE CMB INTERESTS

The following unaudited financial information of the CMB Interests 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 2008, 2009, 2010 and the six months ended 30 June 2011.

	Year ended 31 December			Six months ended 30 June
	2008	**2009**	**2010**	**2011**
	US$	*US$*	*US$*	*US$*
Gains/(losses) recognized in the statements of comprehensive income in relation to the CMB Interests:				
Dividend income	1,896,216	722,215	3,881,817	2,917,912
(Losses)/gains arising from change in the fair value of the CMB Interests	(154,937,371)	76,127,151	(39,858,906)	2,314,206
Deferred taxation	38,734,306	(18,984,671)	10,036,298	(578,551)
Carrying amount recognized in the statements of financial position in relation to the CMB Interests	79,664,696	153,486,793	127,332,297	132,644,868

2. UNAUDITED FINANCIAL INFORMATION ON THE IBC INTERESTS

The following unaudited financial information of the IBC Interests 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 2008, 2009, 2010 and the six months ended 30 June 2011.

	Year ended 31 December			Six months ended 30 June
	2008	**2009**	**2010**	**2011**
	US$	*US$*	*US$*	*US$*
Gains/(losses) recognized in the statements of comprehensive income in relation to the IBC Interests:				
Dividend income	1,216,125	1,505,140	1,597,603	2,674,392
(Losses)/gains arising from change in the fair value of the IBC Interests	(101,334,193)	77,657,065	(45,861,328)	712,366
Deferred taxation	17,475,264	(21,361,026)	11,465,613	(177,928)
Carrying amount recognized in the statements of financial position in relation to the IBC Interests	44,132,090	121,870,325	89,990,232	92,811,521

For the accounting policies in relation to the CMB Interests and the IBC Interests, please refer to "Notes to the Financial Statements" in the annual reports of the Company for the financial years 2008, 2009 and 2010 and in the interim report of the Company for the six months ended 30 June 2011 as published on the websites of the Company (www.cmcdi.com.hk) and the Stock Exchange (www.hkexnews.hk).

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 CMB Interests and the IBC Interests to the records provided by the management 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 on by any other parties for any purpose. The auditor has reviewed the unaudited financial information of the CMB Interests and the IBC Interests set out above to ensure that such information has been properly compiled and derived from the underlying books and records.

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP (EXCLUDING ITS INVESTMENTS IN THE CMB INTERESTS)

The unaudited pro forma financial information of the Remaining Group (excluding its investments in the CMB Interests) comprises an unaudited pro forma consolidated net assets statement as at 30 June 2011 and an unaudited pro forma consolidated statement of comprehensive income for the six months ended 30 June 2011 and the accompanying notes (collectively referred to as the "**Unaudited CMB Pro Forma Financial Information**").

For illustrative purposes only, the Unaudited CMB 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 CMB Disposal on (i) the consolidated net assets of the Group as at 30 June 2011 as if the Proposed CMB Disposal had taken place on 30 June 2011; and (ii) the consolidated statement of comprehensive income of the Group for the six months ended 30 June 2011 as if the Proposed CMB Disposal had taken place on 1 January 2011.

The Unaudited CMB Pro Forma Financial Information has been prepared based on the unaudited consolidated financial statements of the Group for the six months ended 30 June 2011, after making pro forma adjustments relating to the Proposed CMB Disposal that are directly attributable to the Proposed CMB Disposal and are factually supportable.

The Unaudited CMB 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 CMB Disposal actually occurred. In addition, the Unaudited CMB Pro Forma Financial Information is not intended to predict the Group's future financial position or results following the completion of the Proposed CMB Disposal.

Unaudited Pro Forma Financial Information of the Remaining Group (excluding its investments in the CMB Interests)

1A. ***Unaudited Pro Forma Consolidated Net Assets Statement***

	The Group as at 30 June 2011	**Pro forma adjustments**	**The Pro forma Remaining Group (excluding its investments in the CMB Interests)**
	Note (i)	*Note (ii)*	
	US$	*US$*	*US$*
	(unaudited)		*(unaudited)*
Non-current assets			
Interest in associates	22,906,471		22,906,471
Financial assets at fair value through profit or loss	218,017,831		218,017,831
Available-for-sale financial assets	722,560		722,560
	241,646,862		241,646,862
Current assets			
Financial assets at fair value through profit or loss	225,456,389	(132,644,868)	92,811,521
Other receivables	5,434,254		5,434,254
Bank balances and cash	154,686,952	132,644,868	287,331,820
	385,577,595		385,577,595
Current liabilities			
Other payables	39,108,767	5,781,828	44,890,595
Dividend payable	16,406,016		16,406,016
Taxation payable	23,467,348	27,752,773	51,220,121
	78,982,131		112,516,732
Net current assets	306,595,464		273,060,863
Total assets less current liabilities	548,242,326		514,707,725

	The Group as at 30 June 2011	Pro forma adjustments	The Pro forma Remaining Group (excluding its investments in the CMB Interests)
	Note (i)	*Note (ii)*	
	US$	*US$*	*US$*
	(unaudited)		*(unaudited)*
Non-current liabilities			
Financial liabilities at fair value through profit or loss	908,905		908,905
Deferred taxation	58,021,461	(28,909,139)	29,112,322
	58,930,366		30,021,227
NET ASSETS	489,311,960		484,686,498

1B. ***Unaudited Pro Forma Consolidated Statement of Comprehensive Income***

	The Group for the six months ended 30 June 2011	**Pro forma adjustments**	**The Pro forma Remaining Group (excluding its investments in the CMB Interests)**
	Note (iii)	*Note (iv)*	
	US$	*US$*	*US$*
	(unaudited)		*(unaudited)*
Change in fair value of financial assets at fair value through profit or loss	9,783,205	(2,314,206)	7,468,999
Investment income	15,737,218	(2,917,912)	12,819,306
Other gains and losses	1,485,196		1,485,196
Administrative expenses	(10,450,582)	(5,535,602)	(15,986,184)
Share of results of associates	442,286		442,286
Profit before taxation	16,997,323		6,229,603
Taxation	(7,849,855)	1,685,671	(6,164,184)
Profit attributable to owners of the Company	9,147,468		65,419
Basic and diluted earnings per share for the Proposed CMB Disposal	0.061		0.0004

Notes to the Unaudited Pro Forma Financial Information of the Remaining Group (excluding its investments in the CMB Interests):

(i) The amounts are based on the unaudited consolidated statement of financial position of the Group as at 30 June 2011, which are extracted from the interim report of the Company for the six months ended 30 June 2011.

(ii) The adjustments represent the disposal of the CMB Interests in cash. The CMB Interests were assumed to be sold at a total consideration of US$132,644,868 (representing the fair value (the quoted market closing bid price) of the CMB Interests as of 30 June 2011). The previously recognized non-current deferred tax liability of US$28,909,139, which was calculated based on the fair value of the CMB Interests at the Enterprise Income Tax rate of 25%, was reversed to the profit or loss and a current tax liability of US$27,752,773 was provided and recognized in the profit or loss based on the estimated realized taxable gain on the disposal of the CMB Interests at the Enterprise Income Tax rate of 24%. A business tax liability of US$5,781,828 was provided and recognized in the profit or loss based on the estimated realized taxable gain on the disposal of the CMB Interests at the Business Tax rate of 5% and classified as other payables in the unaudited CMB pro forma consolidated net assets statement. The difference between the previously recognized non-current deferred tax liability, current tax liability and business tax liability now recognized amounted to US$4,625,462 and was recognized in the profit or loss.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "**Tax Law**") by Order No. 63 of the President of the PRC. The State Council of the PRC issued Implementation Regulations of the 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 24% in 2011, will be increased to 25% in 2012. Therefore, the actual tax liability may be different from the amounts shown in the Unaudited CMB Pro Forma Financial Information depending on the timing of the actual disposal.

(iii) The amounts are based on the unaudited consolidated statement of comprehensive income of the Group for the six months ended 30 June 2011, which are extracted from the interim report of the Company for the six months ended 30 June 2011.

(iv) The adjustments represent:

(a) the exclusion of gain on fair value changes on investment in the CMB Interests of US$2,314,206 during the six months ended 30 June 2011 assuming the CMB Interests were disposed of on 1 January 2011 at a total consideration of US$127,332,297 (representing the fair value (the quoted market closing bid price) of the CMB Interests as of 31 December 2010);

(b) the reversal of (1) dividend income and deferred tax at the amount of US$2,917,912 and US$578,551 respectively, for the six months ended 30 June 2011 in relation to the CMB Interests; and (2) difference of US$1,107,120 between the previously recognized non-current deferred tax liability as at 1 January 2011 at the Enterprise Income Tax rate of 25% and current tax liability at the Enterprise Income Tax rate of 24%, as if the Proposed CMB Disposal were completed on 1 January 2011; and

(c) the provision of business tax liability of US$5,535,602 at the Business Tax rate of 5% on the estimated realized taxable gain on the disposal of the CMB Interests.

(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 Unaudited CMB Pro Forma Financial Information, the actual gain/loss and cash to be received from the Proposed CMB Disposal may be different from those amounts shown in the Unaudited CMB Pro Forma Financial Information.

(vi) No pro forma adjustment on management fee is included as the Board considered the effect of management fee of the Proposed CMB Disposal would have no material impact on the Unaudited CMB Pro Forma Financial Information of the Remaining Group (excluding its investments in the CMB Interests).

(vii) The pro forma adjustments mentioned above, except for the cease of dividend income, will not have any continuing effect on the Remaining Group (excluding its investments in the CMB Interests).

1C. ***Accountants' Report on Unaudited CMB Pro Forma Financial Information***

TO THE DIRECTORS OF CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED

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 Section 1 of Appendix II of the circular dated 17 November 2011 (the "**Circular**"). The basis of preparation of the unaudited pro forma financial information is set out in Section 1 of Appendix II 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.

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.

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 Hong Kong Institute of Certified Public Accountants. 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 judgments 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 2011 or any future date; or
- the results of the Group for the six months ended 30 June 2011 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,
17 November 2011

2. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP (EXCLUDING ITS INVESTMENTS IN THE IBC INTERESTS)

The unaudited pro forma financial information of the Remaining Group (excluding its investments in the IBC Interests) comprises an unaudited pro forma consolidated net assets statement as at 30 June 2011 and an unaudited pro forma consolidated statement of comprehensive income for the six months ended 30 June 2011 and the accompanying notes (collectively referred to as the "**Unaudited IBC Pro Forma Financial Information**").

For illustrative purposes only, the Unaudited IBC 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 IBC Disposal on (i) the consolidated net assets of the Group as at 30 June 2011 as if the Proposed IBC Disposal had taken place on 30 June 2011; and (ii) the consolidated statement of comprehensive income of the Group for the six months ended 30 June 2011 as if the Proposed IBC Disposal had taken place on 1 January 2011.

The Unaudited IBC Pro Forma Financial Information has been prepared based on the unaudited consolidated financial statements of the Group for the six months ended 30 June 2011, after making pro forma adjustments relating to the Proposed IBC Disposal that are directly attributable to the Proposed IBC Disposal and are factually supportable.

The Unaudited IBC 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 IBC Disposal actually occurred. In addition, the Unaudited IBC Pro Forma Financial Information is not intended to predict the Group's future financial position or results following the completion of the Proposed IBC Disposal.

Unaudited Pro Forma Financial Information of the Remaining Group (excluding its investments in the IBC Interests)

2A. ***Unaudited Pro Forma Consolidated Net Assets Statement***

	The Group as at 30 June 2011	**Pro forma adjustments**	**The Pro forma Remaining Group (excluding its investments in the IBC Interests)**
	Note (i)	*Note (ii)*	
	US$	*US$*	*US$*
	(unaudited)		*(unaudited)*
Non-current assets			
Interest in associates	22,906,471		22,906,471
Financial assets at fair value through profit or loss	218,017,831		218,017,831
Available-for-sale financial assets	722,560		722,560
	241,646,862		241,646,862
Current assets			
Financial assets at fair value through profit or loss	225,456,389	(92,811,521)	132,644,868
Other receivables	5,434,254		5,434,254
Bank balances and cash	154,686,952	92,811,521	247,498,473
	385,577,595		385,577,595
Current liabilities			
Other payables	39,108,767	3,789,303	42,898,070
Dividend payable	16,406,016		16,406,016
Taxation payable	23,467,348	18,188,653	41,656,001
	78,982,131		100,960,087
Net current assets	306,595,464		284,617,508
Total assets less current liabilities	548,242,326		526,264,370

	The Group as at 30 June 2011	**Pro forma adjustments**	**The Pro forma Remaining Group (excluding its investments in the IBC Interests)**
	Note (i)	*Note (ii)*	
	US$	*US$*	*US$*
	(unaudited)		*(unaudited)*
Non-current liabilities			
Financial liabilities at fair value through profit or loss	908,905		908,905
Deferred taxation	58,021,461	(18,946,514)	39,074,947
	58,930,366		39,983,852
NET ASSETS	489,311,960		486,280,518

2B. ***Unaudited Pro Forma Consolidated Statement of Comprehensive Income***

	The Group for the six months ended 30 June 2011	**Pro forma adjustments**	**The Pro forma Remaining Group (excluding its investments in the IBC Interests)**
	Note (iii)	*Note (iv)*	
	US$	*US$*	*US$*
	(unaudited)		*(unaudited)*
Change in fair value of financial assets at fair value through profit or loss	9,783,205	(712,366)	9,070,839
Investment income	15,737,218	(2,674,392)	13,062,826
Other gains and losses	1,485,196		1,485,196
Administrative expenses	(10,450,582)	(3,667,693)	(14,118,275)
Share of results of associates	442,286		442,286
Profit before taxation	16,997,323		9,942,872
Taxation	(7,849,855)	911,467	(6,938,388)
Profit attributable to owners of the Company	9,147,468		3,004,484
Basic and diluted earnings per share for the Proposed IBC Disposal	0.061		0.020

Notes to the Unaudited Pro Forma Financial Information of the Remaining Group (excluding its investments in the IBC Interests):

(i) The amounts are based on the unaudited consolidated statement of financial position of the Group as at 30 June 2011, which are extracted from the interim report of the Company for the six months ended 30 June 2011.

(ii) The adjustments represent the disposal of the IBC Interests in cash. The IBC Interests were assumed to be sold at a total consideration of US$92,811,521 (representing the fair value (the quoted market closing bid price) of the IBC Interests as of 30 June 2011). The previously recognized non-current deferred tax liability of US$18,946,514, which was calculated based on the fair value of the IBC Interests at the Enterprise Income Tax rate of 25%, was reversed to the profit or loss and a current tax liability of US$18,188,653 was provided and recognized in the profit or loss based on the estimated realized taxable gain on the disposal of the IBC Interests at the Enterprise Income Tax rate of 24%. A business tax liability of US$3,789,303 was provided and recognized in the profit or loss based on the estimated realized taxable gain on the disposal of the IBC Interests at the Business Tax rate of 5% and classified as other payables in the unaudited IBC pro forma consolidated net assets statement. The difference between the previously recognized non-current deferred tax liability, current tax liability and business tax liability now recognized amounted to US$3,031,442 and was recognized in the profit or loss.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "**Tax Law**") by Order No. 63 of the President of the PRC. The State Council of the PRC issued Implementation Regulations of the 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 24% in 2011, will be increased to 25% in 2012. Therefore, the actual tax liability may be different from the amounts shown in the Unaudited IBC Pro Forma Financial Information depending on the timing of the actual disposal.

(iii) The amounts are based on the unaudited consolidated statement of comprehensive income of the Group for the six months ended 30 June 2011, which are extracted from the interim report of the Company for the six months ended 30 June 2011.

(iv) The adjustments represent:

(a) the exclusion of gain on fair value changes on investment in the IBC Interests of US$712,366 during the six months ended 30 June 2011 assuming the IBC Interests were disposed of on 1 January 2011 at a total consideration of US$89,990,232 (representing the fair value (the quoted market closing bid price) of the IBC Interests as of 31 December 2010);

(b) the reversal of (1) dividend income and deferred tax at the amount of US$2,674,392 and US$177,928 respectively, for the six months ended 30 June 2011 in relation to the IBC Interests; and (2) difference of US$733,539 between the previously recognized non-current deferred tax liability as at 1 January 2011 at the Enterprise Income Tax rate of 25% and current tax liability at the Enterprise Income Tax rate of 24%, as if the Proposed IBC Disposal were completed on 1 January 2011; and

(c) the provision of business tax liability of US$3,667,693 at the Business Tax rate of 5% on the estimated realized taxable gain on the disposal of the IBC Interests.

(v) Since the actual amounts of consideration to be received from the Proposed IBC Disposal may be substantially different from the amounts used in the preparation of the Unaudited IBC Pro Forma Financial Information, the actual gain/loss and cash to be received from the Proposed IBC Disposal may be different from those amounts shown in the Unaudited IBC Pro Forma Financial Information.

(vi) No pro forma adjustment on management fee is included as the Board considered the effect of management fee of the Proposed IBC Disposal would have no material impact on the Unaudited IBC Pro Forma Financial Information of the Remaining Group (excluding its investments in the IBC Interests).

(vii) The pro forma adjustments mentioned above, except for the cease of dividend income, will not have any continuing effect on the Remaining Group (excluding its investments in the IBC Interests).

2C. ***Accountants' Report on Unaudited IBC Pro Forma Financial Information***

TO THE DIRECTORS OF CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED

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 Section 2 of Appendix II of the circular dated 17 November 2011 (the "**Circular**"). The basis of preparation of the unaudited pro forma financial information is set out in Section 2 of Appendix II 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.

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.

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 Hong Kong Institute of Certified Public Accountants. 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 2011 or any future date; or
- the results of the Group for the six months ended 30 June 2011 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,
17 November 2011

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 2011.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL COMMITMENTS

The Remaining Group's cash on hand increased by 144%, from US$63.28 million at the end of 2010 to US$154.69 million as of 30 June 2011, mainly due to the sale of the Remaining Group's interests in IBC during the period.

As of 30 June 2011, the Remaining Group had no outstanding bank loans.

As of 30 June 2011, the Remaining Group had a capital commitments of approximately US$38.11 million (31 December 2010: US$24.16 million), for investments that were approved, but not yet provided for in the financial statements—specifically, for future payments related to the investment in China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership) and the investment in Guangxi Hwagain Group Co., Ltd.

CAPITAL STRUCTURE OF THE REMAINING GROUP

The capital structure of the Remaining Group is equity attributable to the shareholders of the Company, comprising issued capital, reserves and retained profits as disclosed in the statement of changes in equity in the 2010 annual report of the Company. The capital structure of the Remaining Group remained unchanged throughout the six months ended 30 June 2011.

The treasury policy of the Remaining Group is to fund its operations by internal resources. As at 30 June 2011, (i) the Remaining Group had not incurred any borrowings to fund its operations; (ii) the Remaining Group held cash in HK$, RMB and US$; (iii) the Remaining Group had not used any financial instruments for hedging purposes; and (iv) none of the net investments in foreign currency (in RMB and US$) are hedged by currency borrowings or other hedging instruments.

FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

During the first half of 2011, "inflation" and "monetary tightening" were the key words. In view of domestic economic conditions, the Central Government adopted stronger macroeconomic control measures and took steps to tighten monetary policy — which included raising deposit reserve requirements and increasing interest rates — in order to contain inflation while protecting economic growth from excessive harm. Overall gross domestic product (GDP) growth in China during the first half was 9.6% year-over-year, which represented a good start to the year.

While the impact of the active fiscal policy and conservative monetary policy has been felt in the Chinese economy, it is expected that China's economic growth will not experience a hard landing during the second half of 2011. For the fundamental sources of economic growth — investment, domestic consumption and imports and exports, investment is expected to maintain at a rapid growth: local government investment will be strong; the construction of affordable housing will sustain on-going investment in real estate; and private sector investment will continue its strong growth, all of which are pillars supporting the fixed assets investment. Consumer spending will be stable to slightly down, with stronger growth in suburban areas and in services while growth in key consumer products gradually stabilising. Export growth will continue, although at a slower pace given sluggish global demand and appreciation of the Renminbi. The Central Government's monetary policy is expected to be ease somewhat in the second half of the year, but tighter credit, rising production costs and slowing export growth may lead to correspondingly slower growth in corporate profits. This macroeconomic environment may pose challenges to the Remaining Group's investment returns but, at the same time, tighter credit and lower liquidity may also lead to new direct investment opportunities for the Remaining Group.

The Remaining Group will continue to make every effort to identify new investment projects, while maintaining an emphasis on investment opportunities in consumer goods (with particular focus on consumer-oriented projects in second-and third-tier cities), financial services, culture and media, pharmaceuticals, energy and environmental protection. The Remaining Group will also seek to optimize its mix of investments in order to create greater shareholder value.

SIGNIFICANT INVESTMENTS OF THE REMAINING GROUP

The Remaining Group searches for investment opportunities and has made or proposed to make capital investments in the energy, culture and media, information technology and manufacturing related sectors.

Xi'an Jinpower Electrical Co., Ltd.

On 28 January 2011, the Remaining Group invested US$3.03 million in Xi'an Jinpower Electrical Co., Ltd. ("**Jinpower Electrical**") for a 5.26% enlarged equity interest.

Jinpower Electrical is principally engaged in the research, development and production of intelligent on-line monitoring systems for transmission lines and substation equipment of power grid.

For details and latest development of Jinpower Electrical, please see below section headed "Segment Information".

Renren Inc.

On 20 April 2011, the Remaining Group made a cash investment of US$11 million in Renren Inc. ("**Renren**") through a joint venture established with other investors, and is beneficially interested in 785,714 American depositary shares of Renren. The American depositary shares of Renren have been listed on the New York Stock Exchange since 4 May 2011.

Renren is a leading real name social networking internet platform in China.

For details and latest development of Renren, please see below section headed "Segment Information".

Guangxi Hwagain Group Co., Ltd

On 14 June 2011, the Remaining Group entered into a capital increase agreement, and on 31 August 2011, the Remaining Group entered into a supplemental capital increase agreement in relation to Guangxi Hwagain Group Co., Ltd. ("**Hwagain**"), pursuant to which the Remaining Group agreed to make a total cash injection of RMB119.99 million (equivalent to US$18.88 million) into the capital of Hwagain. Upon completion of the capital injection contemplated under the agreements, the Remaining Group will hold approximately 7.10% equity interests in the enlarged capital of Hwagain.

Hwagain is a production company principally engaged in the R&D and the production of high quality printing paper and tissue paper, and is a "Forest-Pulp-Paper Integration" enterprise of a relatively large scale in China using mixed bamboo and wood pulp in the production of printing paper and tissue paper.

Fuxin Zhenlong Native Produce Ltd.

On 5 August 2011, the Remaining Group completed its investment in Fuxin Zhenlong Native Produce Ltd. ("**Fuxin Zhenlong**") with an amount of US$2.97 million and holds a 2% enlarged equity interest in Fuxin Zhenlong.

Fuxin Zhenlong is principally engaged in acquiring, processing, and exporting and importing of agricultural byproducts and native produce; it currently produces more than 20 types of main products including pumpkin kernel, pine kernel, pistachio, almond and sunflower kernel.

The Company understands that Fuxin Zhenlong has converted it into a joint-stock limited company in September 2011 and its name has changed to "Liaoning Zhenlong Native Produce Ltd.". Fuxin Zhenlong plans to make an application to list its shares by next year.

NTong Technology Co., Ltd.

On 29 August 2011, the Remaining Group made a capital investment of US$10.41 million in NTong Technology Co., Ltd. ("**NTong**") for a 12.34% enlarged equity interest in NTong. The Remaining Group has also undertaken a further maximum cash injection of RMB45 million in the form of subscription of convertible bonds upon the request of NTong.

The three major areas of NTong's current business comprise software development, operation and maintenance of information technology and system integration.

NTong recorded significant growth in its sales for the first three quarters of 2011 and completed 77% of the yearly sales budget. It is expected that the sales target of 2011 could be achieved in excess.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

The Remaining Group had not undertaken any material acquisition or disposal of subsidiaries or associated companies in the course of the current financial year from 1 January 2011 up to the Latest Practicable Date.

SEGMENT INFORMATION

Below is the review of direct investments of the Remaining Group:

Name of projects	Location of headquarters	Business nature	Listed (Stock Exchange)/ unlisted	Carrying value (US$ million)	Percentage of total assets %
Financial Services:					
1. China Merchants Bank Co., Ltd.	Shenzhen, Guangdong	Banking	Shanghai Stock Exchange	132	21.15
2. Industrial Bank Co., Ltd.	Fuzhou, Fujian	Banking	Shanghai Stock Exchange	93	14.80
3. China Credit Trust Co., Ltd.	Beijing	Trust management	Unlisted	108	17.19
4. China Media (Tianjin) Investment Management Co., Ltd.	Tianjin	Fund management	Unlisted	1	0.14
			Sub-total:	334	53.28
Culture and Media:					
5. NBA China, L.P.	Beijing	Sports marketing	Unlisted	24	3.85
6. Inbank Media (China) Co., Ltd.	Beijing	Indoor media	Unlisted	3	0.46
7. Guangzhou Digital Media Group Ltd.	Guangzhou, Guangdong	Cable television & broadband access	Unlisted	40	6.41
8. China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership)	Shanghai	Media investment	Unlisted	7	1.06
9. China Business Network	Shanghai	Provision of financial information service	Unlisted	19	2.97
10. Renren Inc.	Beijing	Social networking services	New York Stock Exchange	5	0.84
			Sub-total:	98	15.59
Manufacturing:					
11. Shandong Jinbao Electronics Co., Ltd.	Zhaoyuan, Shandong	Copper foil & laminates	Unlisted	23	3.65
12. Shenzhen Geesun Automation Technology Co., Ltd.	Shenzhen, Guangdong	Production equipment for lithium ion batteries	Unlisted	3	0.42
13. Jiangsu Huaer Optoelectronic Material Co., Ltd.	Yangzhou, Jiangsu	High purity silica crucibles	Unlisted	3	0.54
			Sub-total:	29	4.61
Others:					
(i) **Energy & Resources:**					
14. Wuhan Rixin Technology Co., Ltd.	Wuhan, Hubei	Solar energy	Unlisted	2	0.38
15. Xi'an Jinpower Electrical Co., Ltd.	Xi'an, Shaanxi	I.T. for electrical system	Unlisted	3	0.49
(ii) **Real Estate:**					
16. China Merchants Plaza (Shanghai) Property Co., Ltd.	Shanghai	Office & commercial	Unlisted	—	—
17. Shenzhen Mankam Square	Shenzhen, Guangdong	Retail shops	Unlisted	—	—
			Sub-total:	5	0.87
			Total:	466	74.35

China Merchants Bank Co., Ltd. ("CMB") is China's first joint-stock commercial bank, with shares listed on the SSE since 2002 and on the Stock Exchange since 2006. In addition to its network of over 820 branches and offices across China, CMB also owns 100% of Wing Lung Bank in Hong Kong and has established a branch and a representative office in New York, the United States, and a representative office in London, the United Kingdom. In addition, a Taipei representative office was more recently established on 15 March 2011. As of 30 June 2011, the Remaining Group held 65.83 million A shares of CMB, representing an equity interest of 0.31%, and with a corresponding investment cost of RMB110.07 million (equivalent to US$12.53 million). In June 2011, the Remaining Group received a cash dividend from CMB of RMB19.09 million for 2010.

On 9 September 2011, CMB obtained approval by its shareholders to launch the proposed rights issue of A shares and H shares to all shareholders, on the basis of up to 2.2 rights shares for every 10 shares held by the shareholders. The rights issue is expected to raise not more than RMB35 billion and the proceeds will be used to supplement the bank's capital, to improve its capital adequacy ratio, and to support the continuing growth and development of its business.

Subject to the fulfillment of certain regulatory requirements, the Remaining Group plans to subscribe for the CMB A Rights Shares pursuant to the CMB A Rights Issue in full. In order to proceed with the proposed subscription, the Company is required to obtain a waiver from strict compliance of Rule 21.04(3)(b) of the Listing Rules from the Stock Exchange and Shareholders' approval of the proposed subscription. The Company has applied for, and the Stock Exchange has granted, the waiver on certain conditions. The Company is in the course of seeking the Shareholders' approval in respect of the proposed subscription.

Industrial Bank Co., Ltd. ("IBC") is a joint-stock commercial bank incorporated in the PRC, with shares listed on the SSE since 2007. IBC has a network of over 610 branches and offices across China. As of 30 June 2011, the Remaining Group held 44.62 million A shares of IBC, representing an equity interest of 0.41%, and with a corresponding investment cost of RMB110.18 million (equivalent to US$11.55 million). In May 2011, the Remaining Group received a cash dividend from IBC of RMB17.50 million for 2010. In addition, pursuant to a proposal of distribution by IBC of bonus shares converted from capital reserve on the basis of 8 bonus A shares for every 10 A shares owned, the Remaining Group received 33.34 million A shares of IBC in May 2011.

At the end of June 2011, IBC successfully issued subordinated bonds of RMB10 billion in the interbank bond market of China to boost its supplementary capital.

On 28 June 2011, the number of IBC A shares held by the Remaining Group was reduced to 44.62 million shares, and as a result the carrying value of the Remaining Group's interest in IBC was reduced to 19.14% of the Company's net asset value. As such, the condition imposed by the Stock Exchange upon granting a waiver with respect to the Company's subscription to IBC A rights shares was met.

China Credit Trust Co., Ltd. ("CCT") was established in 1995. The principal activities of CCT are trust management, fund management, investments and loan financing. As of 30 June 2011, the Remaining Group held a 6.94% equity interest in CCT with a total investment cost of US$50.49 million. In June and July of 2011, the Remaining Group received a total cash dividend from CCT of US$6.41 million for 2010.

For the first half of 2011, CCT recorded an unaudited net profit of RMB470 million, representing an increase of 193% over the same period last year. After the completion of CCT's capital offering in the second half of last year, the increase in lending business with its proprietary funds resulted in a significant increase in net interest income for the first half of the year as compared to the same period last year. In addition, during the first half of 2011, net income from commissions and handling fees from trust operations also increased compared to the same period last year. However, the CBRC issued new regulatory guidelines that require trust companies to limit the size of real estate trusts and to report every new real estate trust for approval. Therefore, it is expected that CCT's real estate trust business may decrease in the second half of the year.

CCT holds a 15.35% stake in Guodu Securities Co., Ltd. ("**Guodu Securities**"), and is the single largest shareholder. Southwest Securities Co., Ltd., listed on the SSE, has entered into a letter of intent to acquire Guodu Securities. The parties are discussing details of the merger and reorganization, and have not yet announced a final proposal.

China Media (Tianjin) Investment Management Co., Ltd. ("**China Media Management**") was established in Tianjin, with registered capital of RMB60 million. The Remaining Group invested RMB4.62 million (equivalent to US$0.68 million) in April 2010 for a 7.70% equity interest in China Media Management. As the general partner and investment manager of China Media Investment (see the section of China Media Investment below), China Media Management is responsible for defining and executing the investment strategy for China Media Investment, as well as for managing their operations.

China Media Management has completed two investments for China Media Investment and is expected to make one to two additional investments by the end of the year.

NBA China, L.P. ("NBA China") is a limited liability partnership incorporated in the Cayman Islands in 2007. The Remaining Group invested US$23 million in 2008 for a 1% preferred equity stake in NBA China. Other strategic investors hold the remaining 10% of the preferred equity in NBA China. 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. The Remaining Group received a cash distribution from NBA China of US$54,000 in February 2011.

In May 2011, NBA China announced the establishment of a long term partnership with Baofeng Modern International Holdings Company Limited of Hong Kong ("**Baofeng Modern**"), and that slippers and sandals with an NBA theme will be introduced at the retail outlets of Baofeng Modern.

NBA China launched an official flagship store online (http://nbastore.qq.com) in June 2011 for the sale of various NBA products.

As the NBA and the National Basketball Players Association (NBPA) have not yet reached a new collective bargaining agreement, an NBA lockout commenced on 1 July 2011 and is expected to have an adverse impact on the results of NBA China.

Inbank Media (China) Co., Ltd. ("Inbank Media") was established in Beijing in 2007 to engage in commercial advertising through its video display network, located in banking service outlets in China. The Remaining Group invested RMB45 million (equivalent to US$6.59 million) in June 2009 and invested another RMB30 million (equivalent to US$4.39 million) in February 2010, making a total investment of RMB75 million (equivalent to US$10.98 million) in Inbank Media. In February 2010, the Remaining Group also exercised its conversion right on the convertible bonds that it already held in its portfolio and, as a result, the Remaining Group now holds a 14.51% equity interest in Inbank Media.

To secure its leading position in the sector, Inbank Media has been expanding the size of its network. In the first half of 2011, Inbank Media entered into negotiations with a leading enterprise in the sector regarding a possible merger and reorganization. After the completion of such a merger and reorganization, it is expected that the new company will cover over 70% of the banking service outlets in key cities such as Beijing, Shanghai and Guangzhou, as well as in major commercial cities such as Shenzhen and Nanjing, which represent an even greater value in advertising resources. The parties have reached an agreement and the merger and reorganization is undergoing.

Guangzhou Digital Media Group Ltd. ("Guangzhou Digital") was established in Guangzhou, Guangdong in 1993 to engage in the operation of cable television transmission and internet broadband access. The Remaining Group invested RMB210 million (equivalent to US$30.74 million) in August 2009 for a 21% equity interest in Guangzhou Digital. In June 2011, the Remaining Group received a cash dividend from Guangzhou Digital of RMB8.14 million for 2010.

For the first half of 2011, Guangzhou Digital recorded growth in operating income and net profit, primarily due to the on-going increase in users of digital TV and users of broadband internet, which are high income contributors.

In June 2011, Guangzhou TV Station and Guangdong Broadcasting and Television Network Co., Ltd. ("**Guangdong Network**") signed a memorandum regarding the integration of Guangzhou Digital and Guangdong Network, and formally initiated a process to appraise the parties' respective assets and to negotiate an integration proposal.

China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership) ("China Media Investment") was established in Shanghai, and is the first fund in the culture and media sector approved for registration by the National Development and Reform Commission. Total capital of RMB5 billion is expected to be raised, of which the initial capitalization amounts to RMB2 billion. Major promoters of and contributors to China Media Investment include Shanghai Dongfang Huijin Culture Industry Investment Co., Ltd., China Development Bank Capital Corporation Ltd., Shanghai Dazhong Group Capital Private Equity Investment Co., Ltd. and Wenhui Xinmin United Press Group Co., Ltd. — all of whom are dominant players in the financial investment and/or culture and media sectors. China Media Investment has an investment horizon of 10 years. The scope of investments of China Media Investment includes major projects in broadcasting and media, publishing, animation and creative media, as well as direct investments in the culture and media sector in both China and overseas. China Media Management is the general partner and investment manager of China Media Investment.

In April 2010, the Remaining Group agreed to make a capital investment of RMB200 million by installment in China Media Investment. The first installment of RMB40 million (equivalent to US$5.86 million) was made by the Remaining Group in June 2010, and the second installment of RMB6.26 million (equivalent to US$0.95 million) was made in March 2011, which amounted to a cumulative investment of RMB46.26 million (equivalent to US$6.81 million) by the Remaining Group in China Media Investment, and represented 23.13% of the committed investment.

China Media Investment made an investment in News Corporation of the US and Renren Inc. at the end of 2010 and again in the second quarter of 2011, for a combined investment of RMB383 million.

China Business Network ("CBN") was established in Shanghai in 2003 and is currently the financial information provider with the greatest breadth of media communication channels for financial information in China. CBN's business segments include television (that is, CBN Channel and CBN | Ning Xia Satellite TV), newspapers, radio, magazines, websites, and research institutes. CBN is also actively exploring digital media. The Remaining Group invested RMB120 million (equivalent to US$18.10 million) in December 2010 for a 5.29% equity interest in CBN.

In the first half of 2011, advertising income from CBN Channel increased significantly compared to the same period last year, and exceeded expectations. Advertising income from CBN | Ning Xia Satellite TV was also higher than the same period last year, but growth was somewhat slower than expected and the station will strengthen its promotional activities in the second half of the year. The operations of CBN Radio ("**Radio**") and CBN Daily ("**Daily**") have been stable, and the FM97.7 Channel of the Radio became available at the Mac App Store in May. The download and average daily browsing volume of the Radio and Daily's Apple App for iPad were satisfactory. The business development of the CBN Weekly ("**Weekly**") was encouraging, and its group buying sale, conducted jointly with the nuomi.com, successfully recorded over 7,300 subscriptions within a few days. The subscription and browsing volume of the Weekly's Apple App was also remarkable.

Renren Inc. ("Renren") is a company incorporated under the laws of Cayman Islands and its American depositary shares ("**ADS**", each representing three Class A ordinary shares) have been listed on the New York Stock Exchange since 4 May 2011. Renren is a leading real name social networking internet platform in China. In April 2011, the Remaining Group made an investment of US$11 million in Renren through a joint venture established with other investors, and is beneficially interested in 785,714 ADS of Renren. The ADS of Renren held by the Remaining Group had a lockup period of 180 days, which expired at the end of October 2011.

Renren's platform enables its users to connect and communicate with each other, share information and user-generated content, play online games, listen to music, shop for deals and enjoy a wide range of other features and services. It is expected that the internet social networking industry in China will have excellent long-term growth prospects, and the investment in Renren provides a good opportunity for the Remaining Group to increase shareholder value.

Shandong Jinbao Electronics Co., Ltd. ("Jinbao") was established in Zhaoyuan, Shandong in 1993 to engage in the production and sale of copper foil and laminate. The Remaining Group's cumulative investment in Jinbao is US$7.85 million, representing an equity interest of 25.91% in Jinbao as of 30 June 2011.

In the first half of 2011, Jinbao's revenues declined slightly compared to the same period last year, and profitability declined more sharply. The change in results was primarily due to a general decline in the business climate of the semiconductor industry, and the return of the industry to a more rational state after experiencing an explosive rebound last year. Several factors also contributed to lower profit margins. The cost of raw materials and production increased sharply due to inflationary pressures worldwide. The relative cost advantage of exports declined due to the on-going appreciation of the Renminbi. Newcapacity became available in the industry, stemming from construction which had been started in 2009 and which gradually came online during the second half of 2010. And, lastly, greater homogenization of the domestic and global markets led to more intense pricing pressure. All competitors in the industry faced the same operational challenges with respect to exchange rates and inflation. However, following the increasing market demand for mobile computing and communications, it is expected that Jinbao, basing upon its advantage in scale production capability, could increase its competitiveness through the upgrade of corresponding products.

Shenzhen Geesun Automation Technology Co., Ltd. ("Geesun Technology") was established in Shenzhen, Guangdong in 2006 and is a leading manufacturer of equipment and automated production lines for lithium ion batteries and super capacitors in China. The Remaining Group invested RMB20 million (equivalent to US$2.93 million) in May 2010 for a 15.38% equity interest in Geesun Technology.

In the first half of 2011, Geesun Technology overcame external difficulties arising from the slowdown in the macroeconomy, and achieved a significant increase in sales compared to the same period last year. It however sustained a loss for the period. It is expected that Geesun Technology would maintain a profit level in the second half of the year along with an improvement in overall economic conditions and the implementation of internal management measures.

Jiangsu Huaer Optoelectronic Material Co., Ltd. ("Huaer Optoelectronic") was established in Yangzhou, Jiangsu, and is principally engaged in the research, development and production of high purity silica crucibles. Huaer Optoelectronic is a manufacturer producing silica crucibles with comprehensive specifications, and has the capability to produce 28-inch silica crucibles on a large scale. The silica crucible products manufactured by Huaer Optoelectronic are expendable raw materials required to produce single crystalline silicon ingots, which are used in turn to produce single crystalline silicon solarcells and semiconductor chips. The production of each single crystalline silicon ingot requires one silica crucible. The Remaining Group invested RMB15 million (equivalent to US$2.23 million) in September 2010 for a 7.5% equity interest in Huaer Optoelectronic.

In the first half of 2011, Huaer Optoelectronic recorded significant growth in sales and net profit. The percentage of sales comprised of crucibles 22 inches or above increased every month, as 18-inch crucibles were gradually phased out. Larger crucibles have a higher gross margin, but also require higher production skill. It is expected that by the end of 2011, Huaer Optoelectronic will add another 12 silica crucible production lines, increasing the total to 22 lines. By then, its annual capacity will reach 103,000 crucibles, which will further strengthen Huaer Optoelectronic's leading position in the silica crucible market.

Wuhan Rixin Technology Co., Ltd. ("Wuhan Rixin") was incorporated in Wuhan, Hubei in 2001, and is a government-sponsored high technology company engaged in the design, production and installation of solar modules and Building Integrated Photovoltaic (BIPV) products, as well as in the operation, maintenance and management of solar-powered electric systems. The Remaining Group invested RMB15 million (equivalent to US$2.20 million) in July 2009 for a 5% equity interest in Wuhan Rixin.

In December 2010, Wuhan Rixin became the first construction unit in China to obtain approval for two BIPV demonstration parks that meet international standards (there are a total of 13 demonstration parks in the country). In the first half of 2011, while continuing construction of the demonstration park at Huangjinshan of Huangshi City, Wuhan Rixin commenced construction of the demonstration park in Dezhou, Shandong. Meanwhile, the development of major projects such as the Wuhan International Convention and Exhibition Centre, Liangzi Lake Scenic Area, etc. has been progressing as scheduled.

In June 2011, the Ministry of Finance, Ministry of Science and Technology and National Energy Administration jointly issued a document confirming that an on-going funding arrangement will be made to support the development of the Golden Sun Demonstration Project, intended to further the expansion and application of PV power generation in China, and to encourage the development of the PV industry. This level of support will also benefit the sustainable growth and development of Wuhan Rixin's BIPV business.

Xi'an Jinpower Electrical Co., Ltd. ("Jinpower Electrical") was established in Xi'an, Shaanxi in 2001 and is a high technology enterprise, principally engaged in the research, development and production of intelligent on-line monitoring systems for transmission lines and substation equipment of power grid. The Remaining Group invested RMB20 million (equivalent to US$3.03 million) in January 2011 for a 5.26% equity interest in Jinpower Electrical.

In the first half of 2011, Jinpower Electrical received a software gold award and an innovation award at the 15th International Soft China Conference, as well as first prize for scientific progress in Shaanxi Province for 2010.

Jinpower Electrical converted to a joint-stock limited company in June 2011 and its Chinese name changed to "西安金源電氣股份有限公司".

China Merchants Plaza (Shanghai) Property Co., Ltd. ("China Merchants Plaza") was incorporated in Shanghai in 1994 to engage in the development of a commercial and business complex. The Remaining 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 saleable area of 49,438 square metres remaining available for leasing. The Remaining Group made a full provision for this investment in 2000 due to the substantial leverage, high financing costs and significant accumulated losses of China Merchants Plaza.

For the first half of 2011, China Merchants Plaza recorded an unaudited net profit of RMB4.24 million, representing an increase of ten times over the same period last year. The improvement in financial results was primarily due to a significant decrease in selling expenses.

Shenzhen Mankam Square ("Mankam") is a 33-storey business and commercial complex located at North Wen Jin Road, Shenzhen. In 1994, the Remaining Group invested US$4.30 million and through its 35% stake in Hansen Enterprises Limited ("**Hansen**") purchased 5,262 square metres of retail space on the third floor of Mankam. Due to problems concerning ownership of the first and second floors, these floors have not yet commenced operation which has caused great difficulty in leasing or selling the third floor. The Remaining Group made a full provision for this investment in 2005.

On 8 August 2011, the wholly-owned subsidiaries of Hansen entered into a sale and purchase contract with an independent third party to sell the third floor of Mankam at a consideration of RMB49 million. Part of the proceeds will be used to settle the management fee in respect of the property in the amount of approximately RMB6.40 million. The transaction has yet to be completed.

EMPLOYEES

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

CHARGES ON GROUP ASSETS

As at 30 June 2011, there were no charges on any assets of the Remaining Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed under the heading "Significant Investments of the Remaining Group", as at 30 June 2011, the Remaining Group did not draw up any definitive future plans relating to material investments or capital assets.

GEARING RATIO

As at 30 June 2011, the Remaining Group had not incurred any debt or borrowings.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

Most of the Remaining Group's investments are located in China where the official currency is the RMB. The conversion rate of RMB against U.S. dollar recorded an increase of 2.28% in the first half of 2011, which had a positive impact on the Remaining Group since it holds a considerable amount of assets denominated in RMB.

CONTINGENT LIABILITIES

As at 30 June 2011, the Remaining Group did not have any material contingent liabilities.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. STATEMENT OF INDEBTEDNESS

At the close of business on 30 September 2011, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, apart from the intra-group liabilities, the Group did not have any debt securities issued and outstanding, or authorized or otherwise created but unissued, or term loans; nor any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments; nor any mortgages or charges; nor any contingent liabilities or guarantees.

3. SUFFICIENCY OF WORKING CAPITAL

The Directors are of the opinion that taking into account the Group's internal resources and the estimated net proceeds from the 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 EXECUTIVES' DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interest and short positions of the Directors and chief executives 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 (the "**Model Code**") were as follows:

Long position in the ordinary shares in the Company

Name of Director	Capacity	Number of shares held	Percentage of total issued share capital as at the Latest Practicable Date
Mr. Victor Lap-Lik CHU	Interest of controlled corporation	3,224,000	2.16%

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

As at the Latest Practicable Date, the following Directors are a director or employee of a substantial shareholder of the Company:

(a) Mr. LI Yinquan is the vice president and chief financial officer of China Merchants Group Limited;

(b) Mr. HONG Xiaoyuan is the managing director of China Merchants Finance Holdings Company Limited; and

(c) Mr. TSE Yue Kit is the general manager in direct investment division of China Merchants Finance Holdings Company Limited.

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

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 Divisions 2 and 3 of Part XV of the SFO or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group are as follows:

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

Shareholder	Long/short position	Capacity	Number of ordinary shares interested	Approximate percentage in the Company's share capital
Substantial shareholders:				
China Merchants Group Limited *(Note 3)*	Long	Interest of controlled corporation	38,964,319	25.72%
China Merchants Steam Navigation Company Limited *(Note 3)*	Long	Interest of controlled corporation	38,964,319	25.72%
China Merchants Holdings (Hong Kong) Company Limited *(Note 1)*	Long	Interest of controlled corporation	38,964,319	25.72%
China Merchants Finance Holdings Company Limited *(Note 2)*	Long	Interest of controlled corporation	38,964,319	25.72%
China Merchants Financial Services Limited *(Note 3)*	Long	Interest of controlled corporation	36,028,197	23.78%
Good Image Limited	Long	Beneficial owner	36,028,197	23.78%
Lazard Asset Management LLC	Long	Investment manager	29,610,100	19.85%
UBS AG	Long	Beneficial owner Security interest	10,000 12,085,000	7.98%
Kuchanny Christopher Philip Charles *(Note 4)*	Long	Interest of controlled corporation	10,440,191	7.00%
Osmium Capital Management Limited *(Note 4)*	Long	Investment manager	10,440,191	7.00%
Osmium Special Situations Fund Limited	Long	Beneficial owner	10,440,191	7.00%
華夏全球精選股票型證券投資基金	Long	Beneficial owner	9,682,000	6.49%

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: Kuchanny Christopher Philip Charles is deemed to have corporate interests in the company whose name is set out immediately under it.

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

6. COMPETING INTERESTS

Mr. CHU Lap Lik, Victor, executive Director and Ms. KAN Ka Yee, Elizabeth (being alternate to Mr. CHU Lap Lik, Victor), 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 arm's length from, the businesses of First Eastern Investment Group. If conflict of interest arises on the part of Mr. CHU or Ms. KAN, 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, 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 had entered, or was proposing to enter, into any service contract with the Company or its subsidiaries which is not expiring or may not be terminated by the Company within a year without payment of any compensation (other than statutory compensation).

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

Investment Management Agreement

On 5 February 2010, the Company entered into an investment management agreement (the "**Revised Management Agreement**") with the Investment Manager in relation to the re-appointment of the Investment Manager as the investment manager of the Company for both listed and unlisted investments, immediately following the expiry of the investment management agreement, which was previously entered into between the parties on 15 July 1993, on 14 July 2010. Mr. HONG Xiaoyuan, Mr. CHU Lap Lik, Victor, Ms. ZHOU Linda Lei and Mr. TSE Yue Kit are directors of both the Company and the Investment Manager. Mr. CHU Lap Lik, Victor and Ms. KAN Ka Yee, Elizabeth have indirect beneficial interests in the Investment Manager.

Under the Revised Management Agreement, the appointment of the Investment Manager is for a fixed term commencing on 15 July 2010 and ending on 31 December 2012. Thereafter, subject to and conditional upon compliance with all applicable requirements under Chapter 14A of the Listing Rules (including but not limited to independent shareholders' approval, if applicable), the appointment of the Investment Manager under the Revised Management Agreement shall be automatically renewed for further periods of three years after the expiry of each fixed term unless the appointment is terminated by the Board on six months' notice prior to the expiry of each term.

Co-investment Scheme (the "Scheme")

In order to strengthen the investment management process, and to align the interests of management and staff with the interests of the Company in entering new investment projects, the Investment Manager, with the consent of the Company, has administered the Scheme since 2009. Under the Scheme, the Company has entered into sub-participation agreements (the "**Agreements**") with certain executive Directors, certain directors and employees of the Investment Manager, and persons nominated by shareholders of the Investment Manager (collectively the "**Participants**"), with respect to new investments made by the Company beginning in 2009.

Pursuant to the Agreements, the Participants will receive a portion of the return (in the form of dividends, interest, or other distributions or proceeds from realization) from the Company's investment in the project company that is proportional to the amount provided by the Participants to the Company as a percentage of the total Company's investment in the project company. If the Company suffers a loss from its investment in the project company, the Participants will correspondingly share a loss in the amount they provided to the Company on a pro rata basis. The Agreements will terminate upon either the realization of the investment in the project company by the Company, or upon the Investment Manager, who provides a guarantee to the Participants for the performance of the Company's obligations under the Agreements, ceasing to be the investment manager of the Company. In the former case, the Participants shall receive a pro rata portion of the proceeds from disposal of the Company's interest in the project company. In the latter case, the Participants will receive a pro rata portion of the value of the equity interest in the project company held by the Company as of 90 days prior to the termination date of the Agreements. The value of the equity interest in the project company will be assessed by an independent valuer appointed jointly by the Company and the Investment Manager. In addition, the costs and expenses incurred for the preparation and execution of the Agreements, the costs incidental to the implementation of the Scheme, and the relevant portion of the identifiable costs related to the Company's investment in the project company that corresponds to the amount provided by the Participants to the Company under the Agreements will be borne by the Investment Manager.

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

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

Name of projects	**Original investment amount by the Company**	**Original amounts paid by the Participants**	**Relative proportion**
	*US$**	*US$**	
Inbank Media (1st round capital injection)	6,585,600	129,000	1.959%
Wuhan Rixin	2,195,500	43,900	2.000%
Guangzhou Digital	30,737,700	175,500	0.571%
Inbank Media (2nd round capital injection)	4,394,100	87,500	1.991%
China Media Management	676,100	4,500	0.666%
Geesun Technology	2,929,500	58,000	1.980%
China Media Investment (1st installment capital contribution)	5,858,300	38,800	0.662%
Huaer Optoelectronic	2,226,200	43,800	1.966%
CBN	18,098,200	235,700	1.302%
Jinpower Electrical	3,033,500	60,300	1.988%
China Media Investment (2nd installment capital contribution)	953,500	6,100	0.638%
Renren	11,000,000	218,500	1.986%
Fuxin Zhenglong	2,974,500	59,000	1.986%
NTong	10,409,700	130,300	1.252%

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

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

Name of projects	**Mr. HONG Xiaoyuan** *(Note 1)* *US$*	**Ms. ZHOU Linda Lei** *(Note 2)* *US$*	**Mr. TSE Yue Kit** *(Note 3)* *US$*	**Mr. WU Huifeng** *(Note 4)* *US$*
Inbank Media (1st round capital injection)	12,900	12,900	1,290	12,900
Wuhan Rixin	3,510	4,390	1,290	3,510
Guangzhou Digital	12,900	25,810	1,290	12,900
Inbank Media (2nd round capital injection)	6,950	8,750	1,290	6,950
China Media Management	300	580	30	300
Geesun Technology	4,640	5,800	1,290	4,640
China Media Investment (1st installment capital contribution)	2,500	5,010	250	2,500
Huaer Optoelectronic	3,500	4,380	1,290	3,500
CBN	12,850	25,700	1,290	25,700
Jinpower Electrical	4,830	6,030	1,280	4,830
China Media Investment (2nd installment capital contribution)	390	780	40	390
Renren	12,870	21,870	1,290	17,500
Fuxin Zhenlong	4,720	5,900	1,280	4,720
NTong	16,420	12,830	1,280	16,420

Note 1: Director and chairman of the Investment Manager

Note 2: Director and managing director of the Investment Manager

Note 3: Director and director of the Investment Manager

Note 4: Director of the Investment Manager

As at the Latest Practicable Date, save as disclosed, (i) none of the Directors had any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and (ii) there was no contract or arrangement subsisting at the Latest Practicable Date in which any of the Directors was materially interested and which was significant to the business of the Group.

9. MATERIAL CONTRACTS

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

10. LITIGATION

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

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. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2010, the date to which the latest published audited accounts of the Company were made up.

13. 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 17M/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

(c) The Company Secretary of the Company is Mr. LEUNG Chong Shun who is a practising solicitor and a partner of Messrs. Woo, Kwan, Lee & Lo, Solicitors & Notaries.

(d) The qualified accountant of the Company is Miss TSANG Wai Chu who is a member of the Hong Kong Institute of Certified Public Accountants.

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

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Company at Room 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 Unaudited 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 letters from Deloitte Touche Tohmatsu on the unaudited financial information of the CMB Interests (excluding the 14,482,622 CMB A Rights Shares estimated to be allotted and issued to the Company pursuant to the CMB A Rights Issue) and the IBC Interests 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 2009 and 2010 and the interim report for the six months ended 30 June 2011.

CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED
招 商 局 中 國 基 金 有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock Code : 133)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of China Merchants China Direct Investments Limited (the "**Company**") will be held on Monday, 5 December 2011, at JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong, at 3:00 p.m., to consider, and, if thought fit, pass the following resolutions (with or without modifications) as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. **"THAT:**

(a) the proposed subscription (the "**Proposed Subscription**") for A shares in 招商銀行股份有限公司 (China Merchants Bank Co., Ltd.)("**CMB**"), a joint-stock commercial bank approved by the China Banking Regulatory Commission in the People's Republic of China with limited liability, whose A shares (the "**CMB A Shares**") are listed on the Shanghai Stock Exchange, by the Company, pursuant to the rights issue of CMB A Shares on the basis of up to 2.2 CMB A Rights Shares for every 10 existing CMB A Shares (details of which are set out in the circular issued by CMB on 25 July 2011 together with any amendment thereof) be and is hereby approved.

(b) the Investment Restriction (as defined in the announcement of the Company dated 20 September 2011) be and is hereby waived in connection with the Proposed Subscription."

2. "**THAT**:

(a) the disposal (the "**CMB Disposal Mandate**") of any or all A shares in 招商銀行股份有限公司 (China Merchants Bank Co., Ltd.), a joint-stock commercial bank approved by the China Banking Regulatory Commission in the People's Republic of China with limited liability, whose A shares (the "**CMB A Shares**") are listed on the Shanghai Stock Exchange, held by the Company, its subsidiaries, jointly controlled entities and associated companies (collectively, the **"Group"**), for a period of 12 months from the date of passing of this resolution on the following conditions:

(i) the Group will dispose of the CMB A Shares in the open market through the trading system of the Shanghai Stock Exchange; and

(ii) the selling price of the CMB A Shares will be the market price of the CMB A Shares at the relevant times. Market price refers to the price allowed under the trading system of the Shanghai Stock Exchange, but will not be less than RMB7.20 (equivalent to approximately HK$8.83) per CMB A Share

be and is hereby approved.

(b) the directors of the Company be and are hereby authorized to do all things, including but not limited to the execution of all documents, which the directors deem to be necessary or desirable to effect the foregoing or in connection with the CMB Disposal Mandate."

3. "**THAT:**

(a) the disposal (the "**IBC Disposal Mandate**") of any or all A shares in 興業銀行股份有限公司 (Industrial Bank Co., Ltd.), a joint-stock commercial bank approved by the China Banking Regulatory Commission in the People's Republic of China with limited liability, whose A shares (the "**IBC A Shares**") are listed on the Shanghai Stock Exchange, held by the Company, its subsidiaries, jointly controlled entities and associated companies (collectively, the **"Group"**), for a period of 12 months from the date of passing of this resolution on the following conditions:

(i) the Group will dispose of the IBC A Shares in the open market through the trading system of the Shanghai Stock Exchange; and

(ii) the selling price of the IBC A Shares will be the market price of the IBC A Shares at the relevant times. Market price refers to the price allowed under the trading system of the Shanghai Stock Exchange, but will not be less than RMB10.00 (equivalent to approximately HK$12.26) per IBC A Share

be and is hereby approved.

(b) the directors of the Company be and are hereby authorized to do all things, including but not limited to the execution of all documents, which the directors deem to be necessary or desirable to effect the foregoing or in connection with the IBC Disposal Mandate."

By Order of the Board
ZHOU Linda Lei
Director

Hong Kong, 17 November 2011

Notes:

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

(2) In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such authority, must be deposited at the Company's registered office at 1803, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting.

(3) As at the date hereof, the Executive Directors of the Company are Mr. LI Yinquan, Mr. HONG Xiaoyuan, Mr. CHU Lap Lik, Victor, Ms. ZHOU Linda Lei and Mr. TSE Yue Kit; the Non-executive Director is Mr. KE Shifeng; and the Independent Non-executive Directors are Mr. LI Kai Cheong, Samson, Mr. LIU Baojie, Mr. XIE Tao and Mr. ZHU Li. In addition, Ms. KAN Ka Yee, Elizabeth is the Alternate Director to Mr. CHU Lap Lik, Victor.