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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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**CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED**

**招商局中國基金有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code : 133)**

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

**Financial adviser to the Company**

**ALTUS CAPITAL LIMITED**

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



**红日资本有限公司**

**RED SUN CAPITAL LIMITED**

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This circular is issued in conjunction with, and should be reviewed together with, the EGM No.2 Circular. A letter from the Board is set out on pages 4 to 21 of this circular. A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders is set out on pages 22 to 23 of this circular. A letter from Red Sun Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 24 to 47 of this circular.

A notice convening the EGM No.1 to be held as a hybrid meeting with principal meeting place at Tianshan Room, Level 5, Island Shangri-La, Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong on Friday, 29 November 2024 at 10:00 a.m. and online access through an online platform is set out on pages 60 to 61 of this circular. Whether or not you are able to attend and/or vote at the EGM No.1 in person, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return it to the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, 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 No.1 or any adjournment thereof. Completion and return of the proxy form shall not preclude you from subsequently attending and voting in person at the EGM No.1 or any adjournment thereof should you so wish.

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Hong Kong, 8 November 2024

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## GUIDANCE FOR THE EXTRAORDINARY GENERAL MEETING NO.1

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### ATTENDING THE EGM NO.1 BY MEANS OF ELECTRONIC FACILITIES

The EGM No.1 will be held as a hybrid meeting. While Shareholders will not be able to attend physically at the principal meeting place of the EGM No.1, they can instead attend, participate, raise questions and vote at the EGM No.1 through online access by visiting the website at <https://meetings.computershare.com/CMCDI2024EGM1> (the “**Online Platform**”). Shareholders participating in the EGM No.1 using the Online Platform will be deemed present at, and will be counted towards the quorum of, the EGM No.1.

The Online Platform will be open for registered Shareholders and non-registered Shareholders (see below for login details and arrangements) to log in approximately 30 minutes prior to the commencement of the EGM No.1 and can be accessed from any location with internet connection by a smart phone, tablet device or computer. Shareholders should allow ample time to check into the Online Platform to complete the related procedures. Please refer to the Online Meeting User Guide for the EGM No.1 on the Investor Relations section of the Company’s website at [www.cmcdi.com.hk](http://www.cmcdi.com.hk) for assistance.

#### *Login details for registered Shareholders*

Details regarding the EGM No.1 arrangements, including login details to access the Online Platform, are included in the Company’s notification letter to registered Shareholders sent together with this circular.

#### *Login details for non-registered Shareholders*

Non-registered Shareholders who wish to attend, participate and vote at the EGM No.1 using the Online Platform should:

- (1) contact and instruct their banks, brokers, custodians, nominees or HKSCC Nominees Limited through which their shares are held (together, the “**Intermediary**”) to appoint themselves as proxy or corporate representative to attend the EGM No.1; and
- (2) provide their email address to their Intermediary before the time limit required by the relevant Intermediary.

Details regarding the EGM No.1 arrangements, including login details to access the Online Platform, will be sent by the Share Registrar of the Company, Computershare Hong Kong Investor Services Limited, to the email addresses of the non-registered Shareholders provided by the Intermediary. Any non-registered Shareholders who have provided an email address through the relevant Intermediary for this purpose but have not received the login details by email by 12:00 noon on Thursday, 28 November 2024 should reach out to the Share Registrar of the Company for assistance. Without the login details, non-registered Shareholders will not be able to participate and vote using the Online Platform. Non-registered Shareholders should therefore give clear and specific instructions to their Intermediary in respect of both (1) and (2) above.

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## GUIDANCE FOR THE EXTRAORDINARY GENERAL MEETING NO.1

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**Registered and non-registered Shareholders should note that only one device is allowed per login. Please also keep the login details in safe custody for use at the EGM No.1 and do not disclose them to anyone else. None of the Company nor its agents assume any obligation or liability whatsoever in connection with the transmission of the login details or any use of the login details for voting or otherwise.**

The Company is not required to, and will not, independently verify the accuracy of the email addresses or other information provided by registered or non-registered Shareholders. The Company and its agents take no responsibility for all or any loss or other consequence caused by or resulting from any inaccuracy and/or deficiency in the information provided or any unauthorised use of the login details.

### *Voting through the Online Platform*

**Votes cast through the Online Platform are irrevocable once the voting session at the EGM No.1 ends. Further, once the online voting has closed, the votes which a registered Shareholder has submitted through the Online Platform will supersede any votes which may be cast by his/her/its proxy (if any) at the EGM No.1. The votes submitted through the Online Platform using the login details provided to the registered or non-registered Shareholders will be conclusive evidence that such votes were validly cast by such registered or non-registered Shareholders.**

### **QUESTIONS AT THE EGM No.1**

Shareholders attending the EGM No.1 using the Online Platform will be able to submit questions relevant to the proposed resolutions online during the EGM No.1.

Whilst the Company will endeavour to respond to as many questions as possible at the EGM No.1, due to time constraints, unanswered questions may be responded to after the EGM No.1 as appropriate.

### **VOTING BY PROXY IN ADVANCE OF THE EGM NO.1**

Shareholders are encouraged to submit their completed proxy forms well in advance of the EGM No.1. Return of a completed proxy form will not preclude Shareholders from attending and voting at the EGM No.1 (or any adjournment or postponement thereof) through the Online Platform or in person should they subsequently so wish.

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## GUIDANCE FOR THE EXTRAORDINARY GENERAL MEETING NO.1

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### ENQUIRIES

If Shareholders choosing not to attend the EGM No.1 in person have any questions about the relevant resolutions, or about the Company or any matters for communication with the Board, they are welcome to contact the Company as follows:

Investor Relations  
Email: [info@cmcdi.com.hk](mailto:info@cmcdi.com.hk)  
Tel: (852) 2858 9089  
Fax: (852) 2858 8455

If Shareholders have any questions relating to the EGM No.1, please contact Computershare Hong Kong Investor Services Limited, the Company's Share Registrar, as follows:

Computershare Hong Kong Investor Services Limited  
17M Floor,  
Hopewell Centre, 183 Queen's Road East,  
Wan Chai, Hong Kong  
Website: [www.computershare.com/hk/contact](http://www.computershare.com/hk/contact)  
Tel: (852) 2862 8555  
Fax: (852) 2865 0990

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## DEFINITIONS

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

“Altus Capital”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the financial adviser to the Company
“Articles of Association”	the articles of association of the Company as amended, supplemented or modified from time to time
“Assets of the Company” or “Assets”	all the assets of any description of the Company and its subsidiaries, including but not limited to the interests held in jointly controlled entities and associated companies as shown in the accounts of the Company, wherever and howsoever located
“associates”	shall have the same meaning as provided in the Listing Rules
“AUM”	assets under management
“Board”	the board of directors of the Company from time to time
“Chapter 21 companies”	the investment companies, the shares of which are listed on the Main Board of the Stock Exchange pursuant to Chapter 21 of the Listing Rules
“CMCIM”	China Merchants China Investment Management Limited, a fund management company incorporated in Hong Kong with limited liability and registered under the SFO
“CMG”	China Merchants Group Limited, a company incorporated in the PRC with limited liability which (through its associates) owns 55% of CMCIM and is also a substantial shareholder of the Company
“Company”	China Merchants China Direct Investments Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 00133)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“EGM No.1”	the extraordinary general meeting of the Company to be held as a hybrid meeting on 29 November 2024 at 10:00 a.m. to consider and, if thought fit, approve the New Management Agreement with a three-year term, the transactions contemplated thereunder and the proposed annual caps, the notice of which is set out on pages 60 to 61 of this circular

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## DEFINITIONS

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“EGM No.2”	the extraordinary general meeting of the Company to be held as a hybrid meeting on 29 November 2024 at 11:00 a.m. (or immediately after the conclusion or adjournment of the EGM No.1) to consider and, if thought fit, approve the Requisition Resolutions
“EGM No.2 Circular”	the circular of the Company dated 8 November 2024 in relation to the EGM No.2
“Existing Management Agreement”	the investment management agreement entered into between the Company and CMCIM dated 18 October 2021, the term of which will expire on 31 December 2024
“Group”	the Company and its subsidiaries
“HKD” or “HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors, namely Mr. TSANG Wah Kwong, Dr. LI Fang, Dr. GONG Shaolin, Mr. Michael Charles VITERI and Mr. ZHU Qi to make recommendation to the Independent Shareholders in respect of the New Management Agreement, the transactions contemplated thereunder and the proposed annual caps
“Independent Financial Adviser”	Red Sun Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the New Management Agreement, the transactions contemplated thereunder and the proposed annual caps
“Independent Shareholders”	the Shareholders other than the associates of CMG and Victor Chu China Investment Limited and those Shareholders who have a material interest in the New Management Agreement and the transactions contemplated thereunder
“Latest Practicable Date”	1 November 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Management Period”	the term of appointment of CMCIM under the New Management Agreement (i.e. from 1 January 2025 to 31 December 2027)

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## DEFINITIONS

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“NAV”	the net asset value of the Company calculated on the basis as set out in the Prospectus
“New Management Agreement”	the investment management agreement dated 18 October 2024 entered into between the Company and CMCIM in relation to the provision of investment management services with effect from 1 January 2025
“PRC”	the People’s Republic of China, which for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PRC Business Day”	a day other than a Saturday, Sunday or a public holiday in the PRC
“Prospectus”	the prospectus dated 15 July 1993 issued by the Company in connection with the placing of Shares on the terms described therein
“Requisition Resolutions”	Requisition Resolution 1 and Requisition Resolution 2
“Requisition Resolution 1”	has the meaning as defined in the section headed “IMPACT OF VOTING AT EGM NO.1 AND EGM NO.2 IN RELATION TO THE NEW MANAGEMENT AGREEMENT AND THE RISK OF NO INVESTMENT MANAGER” in the Letter from the Board
“Requisition Resolution 2”	has the meaning as defined in the section headed “IMPACT OF VOTING AT EGM NO.1 AND EGM NO.2 IN RELATION TO THE NEW MANAGEMENT AGREEMENT AND THE RISK OF NO INVESTMENT MANAGER” in the Letter from the Board
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	the ordinary share(s) in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“US\$” or “US dollar”	United States Dollars, the lawful currency of the United States of America
“%”	per cent



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LETTER FROM THE BOARD

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**CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED**

**招商局中國基金有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code : 133)**

***Directors:***

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

***Registered office:***

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

# *Executive Directors*  
\* *Non-executive Directors*  
\*\* *Independent Non-executive Directors*

8 November 2024

*To the Shareholders*

Dear Sir or Madam,

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

**INTRODUCTION**

On 18 October 2024, the Board announced that the Company entered into the New Management Agreement with CMCIM in relation to the proposed re-appointment of CMCIM as the Company's investment manager for the Management Period, immediately following the expiry date of the Existing Management Agreement on 31 December 2024. In order to align more closely with the market, offering competitiveness while maintaining the existing fee structure, a reduction of 25 basis points across the management fees was negotiated and agreed between the Company and CMCIM. Save for the aforesaid reductions, the terms of the New Management Agreement are in all material respects the same as those of the Existing Management Agreement which was approved by the then Independent Shareholders in 2021.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with further details of the New Management Agreement, the recommendation of the Independent Board Committee, the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and the notice convening the EGM No.1 for approving the New Management Agreement, the transactions contemplated thereunder and the proposed annual caps, and other information required under the Listing Rules.

### NEW MANAGEMENT AGREEMENT

CMCIM is the present investment manager of the Company pursuant to the Existing Management Agreement. The term under the Existing Management Agreement will expire on 31 December 2024 and will be renewed under the New Management Agreement. The proposed principal terms of the New Management Agreement are as follows:

#### Principal terms

The principal terms of the New Management Agreement include:

Condition:	The New Management Agreement is conditional upon the approval of the Independent Shareholders at the EGM No.1 to be convened in accordance with the requirements of the Listing Rules.
Term of appointment:	The appointment of CMCIM is for a fixed term of three years, commencing on 1 January 2025 and ending on 31 December 2027. Thereafter, subject to the approval of the Independent Shareholders in accordance with the Listing Rules and compliance with all other applicable requirements under the Listing Rules, the appointment shall be renewed for further periods of three years after the expiry of each fixed term, unless either party shall at least six months prior to such expiry date give notice to the other party not to renew the appointment, whereupon the New Management Agreement will terminate at the end of the then current fixed period.
Services:	CMCIM shall undertake all investment and management duties arising pursuant to the operation of the Company and its responsibilities shall include identifying and evaluating investment opportunities, executing investment decisions, monitoring and enhancing investments of the Company, making decisions on investments and realisations for the Company in accordance with the investment objectives and policy of the Company as described in the Prospectus and as from time to time laid down by the Directors, managing the corporate affairs of the Company and dealing with its day-to-day administration.

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## LETTER FROM THE BOARD

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Remuneration:

*Management  
fee:*

The Company will pay to CMCIM an annual management fee in US dollars (or the HKD or RMB Equivalent of the same) equal to the aggregate of:

- (a) on the Invested Portion of the Assets of the Company represented by unlisted securities or interests: 1.75% of the book value (net of taxes); and
- (b) on the Invested Portion of the Assets of the Company represented by securities listed on a recognised stock exchange <sup>(Note)</sup>:
  - (i) during the lockup period following listing: 1.75% of the book value (net of taxes);
  - (ii) for the one year after the lockup period lapses: 1.50% of the book value (net of taxes);
  - (iii) thereafter: 1.25% of the book value (net of taxes); and
  - (iv) in respect of listed securities purchased from the secondary securities market: 1.25% of the book value (net of taxes); and
- (c) on the Un-invested Portion of the Assets of the Company: zero,

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

*Performance  
fee:*

Conditional upon the NAV at the end of each financial year (as Adjusted) exceeding the higher (the “**High Watermark**”) of:

- (a) the NAV for the Reference Year, and

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## LETTER FROM THE BOARD

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- (b) the NAV of the most recent financial year after the Reference Year and in which a performance fee was paid,

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

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

- (1) the NAV and, where applicable, the High Watermark shall be adjusted (“**Adjusted**”) in a fair and reasonable manner as the Company and CMCIM shall agree (or in default of agreement by the auditors of the Company acting as experts and not as arbitrators who shall be required to certify that such adjustment is fair and reasonable) so as to:

- (a) take account of any adjustments to the share capital of the Company during any relevant financial year;
- (b) take account of any buy-back or redemption of Shares during any relevant financial year; and

In short, items (a) and (b) refer to any alteration in the capital structure of the Company, whether by way of capitalisation of profits or reserves, rights issue, open offer, or reduction of share capital.

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## LETTER FROM THE BOARD

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- (c) take no account of (that is, include in the calculation of the NAV as if such distributions or fees had never been made or paid) any distributions or dividends made by the Company or any fees paid to CMCIM pursuant to the New Management Agreement during any relevant financial year(s);

In short, this refers to all the distributions or dividends made by the Company or any fees paid to CMCIM under the New Management Agreement during the relevant financial year.

For illustration, NAV as at 31 December 2025 is **X**. Assuming during the year ending 31 December 2025, the Company had completed a rights issue raising net proceeds of **A**, conducted a share buy-back of **B** and declared and paid dividends a total of **C** and paid another **D** fees to CMCIM, the adjusted NAV will equal to  $X - A + B + C + D$ . This amount will then be used to compare with the High Watermark to consider whether CMCIM will be entitled to any performance fee.

- (2) the “**HKD or RMB Equivalent**” of a US dollar amount shall be determined by converting the US dollar amount into HKD or RMB (as the case may be) at the middle exchange rate between US\$ and HKD or RMB (as the case may be) published by the State Administration of Foreign Exchange of the PRC on the date of payment of the relevant sum, or if such date falls on a date other than a PRC Business Day, the immediately preceding PRC Business Day;
- (3) the “**Reference Year**” means the financial year ended 31 December 2021;

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## LETTER FROM THE BOARD

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- (4) the “**Invested Portion of the Assets of the Company**” refers to the portion of the Assets of the Company invested in listed or unlisted securities or interests, whereas the “**Un-invested Portion of the Assets of the Company**” refers to the portion of those Assets other than the Invested Portion of the Assets such as cash and receivables;
- (5) the “**book value**” refers to the fair value amount of those Assets which are unlisted and the mark to market value amount of those Assets which are listed; and
- (6) the aggregate amount of annual management fee and performance fee payable by the Company to CMCIM each year under the New Management Agreement will not exceed the relevant annual cap to be approved by the Independent Shareholders at the EGM No.1 to be convened in accordance with the requirements of the Listing Rules.

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

### Termination:

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

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

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## LETTER FROM THE BOARD

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

In order to align more closely with the market, offering competitiveness while maintaining the existing fee structure, a reduction of 25 basis points across the management fees was negotiated and agreed between the Company and CMCIM as set out below:

<b>The amount of annual management fee in US dollars (or the HKD or RMB Equivalent of the same) payable by the Company to CMCIM under</b>		
	<b>New Management Agreement</b>	<b>Existing Management Agreement</b>
(a) on the Invested Portion of the Assets of the Company represented by unlisted securities or interests	1.75% of the book value (net of taxes)	2.00% of the book value (net of taxes)
(b) on the Invested Portion of the Assets of the Company represented by securities listed on a recognised stock exchange:		
(i) during the lockup period following listing	1.75% of the book value (net of taxes)	2.00% of the book value (net of taxes)
(ii) for the one year after the lockup period lapses	1.50% of the book value (net of taxes)	1.75% of the book value (net of taxes)
(iii) thereafter	1.25% of the book value (net of taxes)	1.50% of the book value (net of taxes)
(iv) in respect of listed securities purchased from the secondary securities market	1.25% of the book value (net of taxes)	1.50% of the book value (net of taxes)

Save for the aforesaid reductions, the terms of the New Management Agreement are in all material respects the same as those of the Existing Management Agreement which was approved by the then Independent Shareholders in 2021.

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

On 18 October 2021, the Company and CMCIM entered into the Existing Management Agreement for the appointment of CMCIM as the investment manager of the Company. The remuneration paid to CMCIM in the two financial years ended 31 December 2022 and 2023 were published in the annual reports of the Company for the relevant financial years and the remuneration paid to CMCIM for the six months ended 30 June 2024 was published in the 2024 interim report of the Company.

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## LETTER FROM THE BOARD

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

	For the financial year ended 31 December		For the six months ended 30 June
	2022	2023	2024
	US\$	US\$	US\$
	(audited)	(audited)	(unaudited)
Management fee	11,154,282	10,458,859	5,090,487
Performance fee	—	—	—
Total remuneration payable	<u>11,154,282</u>	<u>10,458,859</u>	<u>5,090,487</u>

### Proposed annual caps

The Directors noted that the utilisation rates of the annual caps under the Existing Management Agreement for the past two years were 15.49% and 14.13%, respectively, which were notably low.

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

	US\$
For the year ending 31 December 2025	36,000,000
For the year ending 31 December 2026	36,000,000
For the year ending 31 December 2027	36,000,000

In computing the above proposed annual caps, the Directors have taken into account and made reference to (i) the Company's scale of operation as at 30 June 2024 (i.e. in terms of its AUM of approximately US\$758 million) and net asset value of approximately US\$602 million); (ii) the potential growth in the underlying value of the investment portfolio of the Company, in particular, the potential increase in value as a result of the potential listing of some of its unlisted investments in the PRC or overseas and the potential increase in value of its listed and unlisted investments; (iii) the historical record of the management fee (an average of approximately US\$11 million per year under the Existing Management Agreement) and performance fee (the most recent record high of approximately US\$10 million was paid by the Company in 2020) received by CMCIM; (iv) the utilisation rates of the annual caps under the Existing Management Agreement; and (v) the fee rates under the New Management Agreement.

Taking into account the Company's current scale of operation and the potential growth in the underlying value of the investment portfolio of the Company as well as to cater for the potentials of earning performance fees, the Directors (other than the views of the independent non-executive Directors, whose views are set out in the letter from the Independent Board Committee in this circular) are of the view that the proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.



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## LETTER FROM THE BOARD

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### **Condition of the New Management Agreement**

The New Management Agreement is conditional upon the approval by the Independent Shareholders at the EGM No.1 to be convened by the Company.

### **REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW MANAGEMENT AGREEMENT WITH A THREE-YEAR TERM**

The Company is aware of the request under a requisition issued by various company and entities which purport to hold certain shares in the Company for convening of a general meeting of the Company to consider, among other things, a resolution to restrict renewal of the investment management agreement with CMCIM to a term of no more than 1 year. Details are set out in the announcements of the Company dated 15 October 2024 and 24 October 2024 respectively and the EGM No.2 Circular in relation to the requisition from certain Shareholders for convening the EGM No.2 to consider the Requisition Resolutions.

When considering the reasons for and benefits of the re-appointment of CMCIM as the investment manager of the Company, with (among other things) the aforesaid request in mind, the Directors have considered the advice of Altus Capital (as described below) and taken into account the following factors:

#### **1. The Company's uniqueness among Chapter 21 companies**

Among Chapter 21 companies — with the exception of those that have been suspended, are undergoing liquidation, or have not appointed an investment manager — the Company distinguishes itself through its significantly larger AUM, variable fee structure, risk exposure, and investment strategy, particularly in relation to its underlying assets, with a focus on unlisted investments.

#### **2. Historical performance among Chapter 21 companies and the general stock market**

Among Chapter 21 companies, the Company is the largest in terms of market capitalisation and is one of the largest in terms of net asset value and these can be attributed to the contributions made by CMCIM.

Amidst the market fluctuations in 2022 and 2023, as market sentiment in China recovers, the Company's NAV has experienced a significant turnaround. Over a five-year review period, the Company has outperformed both the Hang Seng Index and the MSCI China Index by 8.51% and 3.37%, respectively.

#### **3. Length of service provided by CMCIM**

With over 30 years of cooperation and a deep understanding of the Company's strategy, CMCIM has consistently delivered strong returns to the Shareholders.

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## LETTER FROM THE BOARD

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Since the Company's inception in 1993, CMCIM has provided investment management services that significantly contributed to the Company's NAV growth from approximately US\$502 million at the end of December 2013 to approximately US\$806 million at the end of December 2021. Despite fluctuations in the NAV during the period of 2022 to 2023, with NAV reaching a low of approximately US\$542 million at the end of May 2023, CMCIM's performance has been satisfactory given the pressured market conditions as a result of China's recovery from the coronavirus pandemic, uncertainty in the real estate sector, etc. The Company's NAV at the end of December 2023 had improved to approximately US\$558 million (net of the dividends of approximately US\$32 million paid for the financial years of 2021 and 2022).

#### **4. Source and deal origination capabilities of CMCIM**

By leveraging the relationship with CMG and CMCIM's extensive connections in the PRC and alignment with the Company, the Company has strategically tapped into cutting-edge opportunities such as Pony AI Inc., Moonshot AI Ltd. and Flexiv Ltd. These investments are expected to strengthen growth and deliver satisfactory returns to the Shareholders.

#### **5. Range of services provided by CMCIM**

CMCIM provides a comprehensive range of administrative services that are necessary for the Company's operation, including but not limited to, sourcing, executing and managing investment projects. Additionally, CMCIM also manages key responsibilities such as accounting, compliance and oversight of service providers.

#### **6. Rationale of appointment with a three-year term**

As mentioned below, the Company's investment objective is to acquire quality investments, principally in unlisted enterprises, in the PRC. For unlisted investments, it normally takes longer time to go through the investment process including origination, due diligence, negotiation, decision-making, execution and closing. Moreover, the investment horizon for unlisted investments can even last longer as investee companies need time to realise their growth potentials and the Company needs to capture the desirable window to conduct divestments. To meet the demand under these practices, CMCIM needs sufficient time to carry out the investment management functions more effectively and responsibly. Therefore, for all practical operational purposes and as a generally accepted market practice, the Company believes a three-year term of the New Management Agreement better suits the nature of the Company's business operations as well as in compliance with the requirements under Chapter 14A of the Listing Rules.

Principally in view of the above, and also taking into account that the replacement of CMCIM would incur significant costs for the Company (including in identifying and selecting a new manager, due diligence and negotiation of a new agreement, and disruption of its investment activities considering CMCIM's knowledge of and relationships with the existing investee companies), the Board is of the view that, it would be in the interests of the Company and the Shareholders as a whole to continue with the existing relationship with CMCIM by means of the New Management Agreement with a three-year term.

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## LETTER FROM THE BOARD

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Having considered (i) the abovementioned requisition from certain Shareholders, in particular, the abovementioned Requisition Resolution 1 that the term of any new investment management agreement to be no more than one-year and (ii) the abovementioned “Reasons for and benefits of entering into the New Management Agreement with a three-year term”, namely the Company’s uniqueness among Chapter 21 companies, the historical performance among Chapter 21 companies and the general stock market, the length of services provided by CMCIM, the source and deal origination capabilities of CMCIM, the range of services provided by CMCIM and the rationale of appointment with a three-year term, as well as the potential cost to replace the investment manager, the Board is of the view that it would be in the interests of the Company and the Shareholders as a whole to continue with the existing relationship with CMCIM by means of entering into the New Management Agreement with a three-year term.

In considering the fees and terms under the New Management Agreement and the proposed annual caps, the Company has engaged Altus Capital, the financial adviser to the Company, to assess the reasons and benefits to the re-appointment of CMCIM as the investment manager of the Company, to conduct research on the terms of broadly comparable investment companies/funds and to determine the proposed annual caps for the three years ending 31 December 2027 with reference to, among other things, the historical management fee paid to CMCIM.

In assessing the fairness and reasonableness of the terms of the New Management Agreement, Altus Capital has:

- (i) considered and assessed the reasons and benefits to re-appoint CMCIM as the investment manager for a term of three years as mentioned above;
- (ii) conducted research on all 21 investment companies (excluding the Company) listed in Hong Kong under Chapter 21 of the Listing Rules, of which only 2 investment companies have variable management fee structure (but both have different asset compositions) (“**Chapter 21 Comparables**”)<sup>1</sup>; and
- (iii) extended our research on the fee structure of a broader set of investment companies / funds due to the limited Chapter 21 Comparables. This extended pool is separated into two sets, in terms of the composition of the underlying assets (1) listed securities (“**Listed Securities Set**”); and (2) unlisted securities (“**Unlisted Securities Set**”). With regard to the Unlisted Securities Set, additional search criteria are included to align with the Company, namely (1) fund having AUM range between US\$500 million to US\$1 billion, (2) fund strategy is for growth and expansion, (3) fund involved in mainly innovation/technology/artificial intelligence which the Company is currently focused at, and (4) geographical focus is for global. As a result, Altus Capital has identified a total of 26 additional comparable investment companies / funds.

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<sup>1</sup> The two investment companies have variable management fee structure are UBA Investments Limited (stock code: 768) and Shanghai International Shanghai Growth Investment Limited (stock code: 770).

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## LETTER FROM THE BOARD

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Based on the information of the Chapter 21 Comparables, the Listed Securities Set and the Unlisted Securities Set (which Altus Capital considered the abovementioned samples are sufficient and provide a fair and representative base for it to analyse the terms of the investment management agreement), Altus Capital noted that (1) the Existing Management Agreement's management fee structure for listed securities is within the 0.75% to 1.80% range of the Listed Securities Set, with the performance fee applicable only after surpassing the high watermark; (2) the Existing Management Agreement's management fee structure for unlisted securities is slightly higher than the average of the abovementioned Unlisted Securities Set of 1.95%; and (3) the 8% performance fee for unlisted securities is lower than the average of 18.75%.

Given the Company's mixed asset composition in both listed and unlisted securities, the need to counterbalance the liquidity and credit risk of unlisted investment through a performance fee is significantly reduced, which is reflected in both the current performance fee and the High Watermark.

In order to align more closely with the market, offering competitiveness while maintaining the existing fee structure, and based on the abovementioned findings, Altus Capital recommended the Company to negotiate with CMCIM to enter into a new investment management agreement with a term of three years and to reduce 25 basis points across the management fee which will then fall within the range of the abovementioned comparables, but maintaining the current performance fee and High Watermark, which is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Having taken into account of the financial adviser's findings and opinions, the Board (other than the independent non-executive Directors, whose views are set out in the letter from the Independent Board Committee in this circular) considered that the New Management Agreement was entered into on normal commercial terms that are generally in line with the market practice of investment companies listed in Hong Kong, and the terms of New Management Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### INTERNAL CONTROL MEASURES

The Company has established internal control measures to ensure that the terms of the New Management Agreement are adhered to. Such internal control measures employed by the Group include the following:

- (1) the investment manager shall present to the Company the calculations of the underlying value of the investment portfolio on a monthly basis for review and approval, and the Company shall publish an announcement on a monthly basis in relation to the unaudited net asset value per share of the Company;
- (2) the investment manager shall present to the Company the calculations in relation to the management fee on a monthly basis and the performance fee on a yearly basis (if any) in accordance with the terms of the New Management Agreement for review;
- (3) the Company shall cross-check the calculations in relation to the management fee and the performance fee (if any) in accordance with the terms of the New Management Agreement and approve payment on a quarterly basis for management fee and on a yearly basis for performance fee (if any);

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## LETTER FROM THE BOARD

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- (4) a monthly report will be prepared by the Company to check the accumulated management fee and performance fee (if any) against the annual cap for the respective financial year. In case the accumulated management fee and performance fee (if any) is about to reach 80% of the relevant annual cap, the Company will seek to revise the annual cap and re-comply with the requirements under Chapter 14A of the Listing Rules as appropriate; and
- (5) the Company shall engage its external auditor to conduct an annual review, including the calculations of the management fee and performance fee (if any), of the transactions contemplated under the New Management Agreement in accordance with the requirements of the Listing Rules, and the independent non-executive Directors shall then review the report prepared by the external auditor.

The Board considers that the above internal control measures could effectively ensure that the transactions contemplated under the New Management Agreement are entered into in the ordinary and usual course of business of the Company and its subsidiaries; on normal commercial terms or better; and are conducted in accordance with the terms as agreed under the New Management Agreement that are fair and reasonable and in the interests of the Shareholders as a whole.

### LISTING RULE IMPLICATIONS

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

As one or more of the applicable percentage ratios in respect of the proposed annual caps for the fees payable under the New Management Agreement for each of the three years ending 31 December 2027 exceed 5%, the transaction contemplated thereunder is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under the Listing Rules.

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. TSANG Wah Kwong, Dr. LI Fang, Dr. GONG Shaolin, Mr. Michael Charles VITERI and Mr. ZHU Qi, has been formed to advise the Independent Shareholders in respect of the transaction contemplated under the New Management Agreement and the proposed annual caps. Red Sun Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the New Management Agreement and the related proposed annual caps.

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## LETTER FROM THE BOARD

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### VIEWS OF DIRECTORS

The Directors (other than the independent non-executive Directors, whose views are set out in the letter from the Independent Board Committee in this circular) are of the view that the New Management Agreement is on normal commercial terms and in the ordinary and usual course of business of the Company; that the terms of the New Management Agreement are fair and reasonable and the New Management Agreement is in the interests of the Company and the Shareholders as a whole; and that the proposed annual caps in respect of the fees payable under the New Management Agreement are fair and reasonable.

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

### INFORMATION IN RESPECT OF THE COMPANY AND CMCIM

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

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

CMCIM is owned as to 55% by CMG (through its associates) and as to 45% by Victor Chu China Investment Limited. CMG is a state-owned enterprise of the PRC. The ultimate beneficial owners of Victor Chu China Investment Limited are Mr. CHU Lap Lik, Victor (80%) and Ms. KAN Ka Yee, Elizabeth (20%). Since Mr. CHU Lap Lik, Victor is an ultimate beneficial owner of Victor Chu China Investment Limited, Victor Chu China Investment Limited owns 45% of CMCIM, and CMCIM (as the investment manager of the Company) is a connected person of the Company, Mr. CHU Lap Lik, Victor is an associate of the connected person under the Listing Rules.

### EXTRAORDINARY GENERAL MEETING NO.1

A notice of the EGM No.1 to be held as a hybrid meeting with principal meeting place at Tianshan Room, Level 5, Island Shangri-La, Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong on Friday, 29 November 2024 at 10:00 a.m. and online access through an online platform at which resolution will be proposed to the Shareholders to consider and, if thought fit, to approve the New Management Agreement and the proposed annual caps, is set out on pages 60 to 61 of this circular.

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## LETTER FROM THE BOARD

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In accordance with Rule 13.39(4) of the Listing Rules, the votes to be taken at the EGM No.1 will be taken by poll. An announcement of the poll results of the EGM No.1 will be published on the date of the EGM No.1 or the business day following the EGM No.1.

CMCIM is owned as to 55% by CMG (through its associates) and as to 45% by Victor Chu China Investment Limited. As at the Latest Practicable Date, the associates of CMG collectively held 42,022,041 Shares (representing 27.59% interests in the Company), whereas the associates of Victor Chu China Investment Limited collectively held 3,030,024 Shares (representing 1.99% interests in the Company). Therefore, the respective associates of CMG and Victor Chu China Investment Limited, as the case may be, are entitled to exercise control over the voting right in respect of 45,052,065 Shares (representing 29.58% interests in the Company) and deemed to have material interests in the transaction contemplated under the New Management Agreement and shall abstain from voting at the EGM No.1.

The Company will announce at EGM No.1 and EGM No.2 the poll results of EGM No.1.

### **ACTION TO BE TAKEN**

A form of proxy for use at the EGM No.1 is also enclosed with this circular. Whether or not you are able to attend and/or vote at the EGM No.1 in person, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return it to the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, 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 No.1 or any adjournment thereof. Completion and return of the proxy form shall not preclude you from subsequently attending and voting in person at the EGM No.1 or any adjournment thereof should you so wish.

### **RECOMMENDATION**

Your attention is drawn to the letters from the Independent Board Committee and the Independent Financial Adviser set out on pages 22 to 23 and pages 24 to 47 of this circular, respectively. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the New Management Agreement, including the proposed annual caps, are on normal commercial terms and are fair and reasonable so far as the interests of the Independent Shareholders are concerned and that the New Management Agreement is entered into in the ordinary and usual course of business of the Company and is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors, excluding Ms. KAN Ka Yee, Elizabeth who did not express her views due to possible conflict of interest by virtue of her beneficial interest in CMCIM, recommend that all Independent Shareholders should vote in favour of the relevant resolution to be proposed at the EGM No.1.

### **IMPACT OF VOTING AT EGM NO.1 AND EGM NO.2 IN RELATION TO THE NEW MANAGEMENT AGREEMENT AND THE RISK OF NO INVESTMENT MANAGER**

Shareholders should note the resolution to be proposed at the EGM No.1 is relating to the New Management Agreement with a term of three-year.



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## LETTER FROM THE BOARD

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Shareholders should also note the Requisition Resolution 1 to be proposed at the EGM No.2 is relating to the term of any new investment management agreement shall not be more than one-year. Details of the Requisition Resolutions to be proposed at EGM No.2 are reproduced below:

- “1. THAT the term of all New Investment Management Agreement(s) shall be at most one (1) year, and that the Directors of the Company are not authorized to execute for and on behalf of the Company any New Investment Management Agreement(s) with a term of more than one (1) year (**“Requisition Resolution 1”**);
2. THAT Ms. KAN Ka Yee, Elizabeth be removed from her position as an executive Director and a member of the Investment Committee of the Company with immediate effect upon passing of this resolution (**“Requisition Resolution 2”**); and

whereas **“New Investment Management Agreement(s)”** means investment management agreement(s) to be entered into (or renewed) between the Company and the Investment Manager(s), including the one that is anticipated to be entered into (or renewed) in 2024; and

whereas **“Investment Manager(s)”** means China Merchants China Investment Management Limited, or any other investment manager(s) affiliated with the China Merchants Group and/or Mr. CHU Lap Lik, Victor.”

**When considering the subject matter and related advices in relation to the New Management Agreement with a term of three-year set out in this EGM No.1 circular, Shareholders are advised to also read in conjunction with the information set out in the EGM No.2 Circular (in particular, in relation to Requisition Resolution 1, where the term of any new investment management agreement shall not be more than one-year).**

Shareholders should note that the New Management Agreement will become effective and be carried out only if (i) the majority of the Independent Shareholders vote FOR the relevant resolution to be proposed at the EGM No.1 and (ii) the majority of the Independent Shareholders vote AGAINST the relevant requisition resolution relating to limiting the duration of the new investment management agreement to no more than one-year to be proposed at the EGM No.2.

Save for the aforesaid results, in the event of all other possible results of the vote on the relevant resolution relating to the appointment of the investment manager at EGM No.1 and EGM No.2, namely (1) if the majority of the Independent Shareholders vote against the relevant resolution to be proposed at the EGM No.1; or (2) if the majority of the Independent Shareholders vote for both of the relevant resolution to be proposed at the EGM No.1 and the relevant requisition resolution to be proposed at the EGM No.2; or (3) if the majority of the Independent Shareholders vote against the relevant resolution to be proposed at the EGM No.1 and the majority of the Independent Shareholders vote for the relevant requisition resolution to be proposed at the EGM No.2, the Company and CMCIM will mutually agree to terminate the New Management Agreement. Such other voting results will give rise to a situation whereby the Company will have no investment manager to manage its investment portfolio with effect from 1 January 2025 (unless and until a new investment manager is appointed by the Company).



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## LETTER FROM THE BOARD

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In summary, the possible results of the voting at EGM No.1 and EGM No.2 in relation to the New Management Agreement are summarised in the table below:

**Possible  
results of  
the voting at  
EGM No.1**

<b>and EGM No.2</b>	<b>EGM No.1 resolution</b>	<b>Requisition Resolution 1</b>	<b>Impact on the New Management Agreement</b>
(1)	Approved by the majority of the Independent Shareholders	Disapproved by the majority of the Independent Shareholders	The New Management Agreement will become effective and be carried out for a term of three-years.
(2)	Disapproved by the majority of the Independent Shareholders	Disapproved by the majority of the Independent Shareholders	The Company and CMCIM will mutually agree to terminate the New Management Agreement. Then, there will be no investment management agreement. Under such circumstances, the Company will consider all possible alternatives.
(3)	Approved by the majority of the Independent Shareholders	Approved by the majority of the Independent Shareholders	The Company and CMCIM will mutually agree to terminate the New Management Agreement. Then, there will be no investment management agreement. Under such circumstances, the Company will consider all possible alternatives, including, among other things, shortening the proposed term of an investment management agreement to one-year.
(4)	Disapproved by the majority of the Independent Shareholders	Approved by the majority of the Independent Shareholders	The Company and CMCIM will mutually agree to terminate the New Management Agreement. Then, there will be no investment management agreement. Under such circumstances, the Company will consider all possible alternatives, including, among other things, shortening the proposed term of an investment management agreement to one-year.

The Company will make further announcement in relation to any decision on the alternatives.

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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

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

Your attention is also drawn to another circular of the Company dated 8 November 2024 in relation to the requisition from Shareholders for convening EGM No.2 to consider the Requisition Resolutions.

By Order of the Board

**WANG Xiaoding**

*Director*



**CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED**

**招商局中國基金有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code : 133)**

8 November 2024

*To the Independent Shareholders*

Dear Sir or Madam,

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

We refer to the circular of the Company dated 8 November 2024 (the “**Circular**”) to the Shareholders, of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

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

Red Sun Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of transaction contemplated under the New Management Agreement and the proposed annual caps.

Your attention is drawn to the “Letter from the Board” set out on pages 4 to 21 of the Circular which contains, inter alia, information about the terms of the New Management Agreement and the proposed annual caps, and the “Letter from the Independent Financial Adviser” set out on page 24 to 47 of the Circular which contains its advice in respect of the transaction contemplated under the New Management Agreement and the proposed annual caps together with the principal factors taken into consideration in arriving at such.

Having considered the terms of the New Management Agreement and having taken into account the factors and reasons considered by and the advice from the Independent Financial Adviser, we consider that the terms of the New Management Agreement, including the proposed annual caps, are on normal commercial terms and are fair and reasonable so far as the interests of the Independent Shareholders are concerned and that the entering into of the New Management Agreement is in the

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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ordinary and usual course of business of the Company and is in interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM No.1 to approve the transaction contemplated under the New Management Agreement and the proposed annual caps.

**Yours faithfully,**

**TSANG Wah Kwong**

**LI Fang**

**GONG Shaolin**

**Michael Charles VITERI**

**ZHU Qi**

*Independent Board Committee*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Set out below is the full text of the letter from Red Sun Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated thereunder the New Management Agreement (including the Proposed Annual Caps), for the purpose of inclusion in this circular.*



**红日资本有限公司**  
**RED SUN CAPITAL LIMITED**

Room 310, Floor 3,  
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141 Des Voeux Road Central,  
Hong Kong

Tel: (852) 2857 9208  
Fax: (852) 2857 9100

8 November 2024

*To: The Independent Board Committee and the Independent Shareholders of  
China Merchants China Direct Investments Limited*

Dear Sirs,

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

#### **1 INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the New Management Agreement, and the proposed annual caps for the three years ending 31 December 2027 (the “**Proposed Annual Caps**”), details of which are contained in the letter from the Board (the “**Letter from the Board**”) as set out in the circular to the Shareholders dated 8 November 2024 (the “**Circular**”), of which this letter forms part. This letter contains our advice to the Independent Board Committee and the Independent Shareholders in respect of the New Management Agreement and the Proposed Annual Caps. Unless otherwise stated, terms defined in the Circular have the same meanings in this letter.

On 18 October 2024, the Company entered into the New Management Agreement with CMCIM in relation to its proposed re-appointment of CMCIM as the investment manager of the Company for the Management Period, immediately following the expiry date of the Existing Management Agreement on 31 December 2024.

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As one or more of the applicable percentage ratios in respect of the proposed annual caps for the fees payable under the New Management Agreement for each of the three years ending 31 December 2027 exceed 5%, the transaction contemplated thereunder is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under the Listing Rules.

### 2 THE INDEPENDENT BOARD COMMITTEE

The Board comprises of two executive Directors, namely, Mr. WANG Xiaoding and Ms. KAN Ka Yee, Elizabeth, four non-executive Directors, namely, Mr. ZHOU Xing, Mr. ZHANG Rizhong, Mr. KE Shifeng and Mr. TSE Yue Kit, and five independent non-executive Directors, namely, Mr. TSANG Wah Kwong, Dr. LI Fang, Dr. GONG Shaolin, Mr. Michael Charles VITERI and Mr. ZHU Qi.

The Independent Board Committee, comprising all the independent non-executive Directors, namely, Mr. TSANG Wah Kwong, Dr. LI Fang, Dr. GONG Shaolin, Mr. Michael Charles VITERI and Mr. ZHU Qi, has been established to advise the Independent Shareholders in relation to the New Management Agreement and the Proposed Annual Caps. Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### 3 OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company, CMCIM and their respective shareholders, directors or chief executives, any of their respective associates, or any relevant parties in connection with the New Management Agreement. Accordingly, we are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the transactions contemplated under the New Management Agreement.

In the previous two years, Red Sun Capital Limited has not acted as an independent financial adviser to the Independent Board Committee and the Independent Shareholders of the Company for any transaction.

Apart from normal professional fees paid or payable to us in connection with this appointment, as the independent financial adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Group or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent from the Group pursuant to Rule 13.84 of the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 4 BASIS OF OUR ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions, beliefs and representations for matters relating to the Group and their respective shareholders and management contained in the Circular and the information and representations provided to us by the Group and/or its senior management (the “**Management**”) and/or the Directors. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the Management and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have assumed that all such statements, information, opinions, beliefs and representations contained or referred to in the Circular (including this letter) or otherwise provided or made or given by the Group and/or the Management and/or the Directors and for which it is/they are solely responsible were true and accurate, and valid and complete in all material respects at the time they were made and given and continue to be true and accurate, and valid and complete in all material respects as at the date of the Circular. We have assumed that all the opinions, beliefs and representations for matters relating to the Group made or provided by the Management and/or the Directors contained in the Circular have been reasonably made after due and careful enquiry. During the course of our work, we have, among others, reviewed the New Management Agreement, the subject announcement and circular, reviewed published interim and annual financial statements of the Group, reviewed the relevant announcement, interim and annual financial statements of Chapter 21 ListCo. Comparables (defined hereafter), identified and analysed fee structure of market comparables, assessed the duration of the appointment as well as the basis and supporting of the Proposed Annual Caps. We have also sought and obtained confirmation from the Company and/or the Management and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have been provided with sufficient information and documents to enable us to reach an informed view and the Company has assured us no material information has been withheld from us to allow us to reasonably rely on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions, beliefs and representations provided to us by the Group and/or the Management and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification nor have we conducted any independent investigation into information provided by the Directors and the Management, background, business or affairs or future prospects of the Company, CMCIM and, where applicable, their respective shareholder(s) and subsidiaries or affiliates, and their respective history, experience and track records, or the prospects of the markets in which they respectively operate.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the New Management Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps), and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 5 PRINCIPAL FACTORS AND REASONS CONSIDERED

#### 5.1 Information of the Group and CMCIM

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

As set out in the interim report of the Company for the six months ended 30 June 2024 (the “**2024 Interim Report**”), the unaudited consolidated net asset value of the Group amounted to approximately US\$602 million as at 30 June 2024.

As at 30 September 2024, being the latest practicable date for ascertaining the unaudited total asset balance of the Company prior to the date of the Circular, the unaudited total asset was approximately US\$798 million as extracted from the announcement of the Company dated 15 October 2024. As for the unaudited consolidated net asset value per Share as at 30 September 2024, such amounted to approximately US\$4.187 (equivalent to approximately HK\$32.51 per Share) based on an announcement of the Company dated 15 October 2024.

As at the Latest Practicable Date, the Company has a market capitalisation of approximately HK\$2.25 billion.

As set out in the Letter from the Board, CMCIM is a fund management company which manages the investment portfolio and deals with day-to-day administration of the Company. CMCIM has been providing investment management services to the Company since 1993. Pursuant to the Existing Management Agreement, CMCIM is responsible for identifying and researching prospective investments for the Company. The Board is responsible for formulating the Company’s overall investment strategy and guidelines that CMCIM shall follow in making investments. CMCIM is owned as to 55% by CMG (through its associates) and as to 45% by Victor Chu China Investment Limited. CMG is a state-owned enterprise of the PRC. The ultimate beneficial owners of Victor Chu China Investment Limited are Mr. CHU Lap Lik, Victor (80%) and Ms. KAN Ka Yee, Elizabeth (20%). Since Mr. CHU Lap Lik, Victor is an ultimate beneficial owner of Victor Chu China Investment Limited, Victor Chu China Investment Limited owns 45% of CMCIM, and CMCIM (as the investment manager of the Company) is a connected person of the Company, Mr. CHU Lap Lik, Victor is an associate of the connected person under the Listing Rules.

#### 5.2 New Management Agreement

Set out below is a summary of the principal terms of the New Management Agreement.

Term of appointment:	The appointment of CMCIM is for a fixed term of three years, commencing on 1 January 2025 and ending on 31 December 2027. Thereafter, subject to the approval of the Independent Shareholders in accordance with the Listing Rules and compliance with all other applicable requirements under the Listing Rules, the appointment shall be renewed for further periods of three years after the expiry of each fixed term, unless either party shall at least six months prior to such expiry date give notice to the other party not to renew the appointment, whereupon the New Management Agreement will terminate at the end of the then current fixed period.
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Services: CMCIM shall undertake all investment and management duties arising pursuant to the operation of the Company and its responsibilities shall include identifying and evaluating investment opportunities, executing investment decisions, monitoring and enhancing investments of the Company, making decisions on investments and realisations for the Company in accordance with the investment objectives and policy of the Company as described in the Prospectus and as from time to time laid down by the Directors, managing the corporate affairs of the Company and dealing with its day-to-day administration.

While maintaining the existing fee structure, there was a reduction of 25 basis points across the management fees under the New Management Agreement as compared to the Existing Management Agreement, namely (a) on the Invested Portion of the Assets of the Company (as defined in the Letter from the Board) represented by unlisted securities or interests; (b) on the Invested Portion of the Assets of the Company represented by securities listed on a recognised stock exchange: (i) during the lockup period following listing; (ii) for the one year after the lockup period lapses; (iii) thereafter; and (iv) in respect of listed securities purchased from the secondary securities market, which was negotiated and agreed between the Company and CMCIM.

Save for the aforesaid reductions, the terms of the New Management Agreement are in all material respects the same as those of the Existing Management Agreement which was approved by the then Independent Shareholders in 2021.

For further details in relation to the principal terms on the condition, remuneration and termination, please refer to the Letter from the Board.

### **5.3 Reasons for and benefits of entering into the New Management Agreement with a three-year term**

With reference to the Letter from the Board, it is noted that the Company considered the following the reasons for and benefits of the re-appointment of CMCIM as the investment manager of the Company, namely:

- (i) the Company's uniqueness among Chapter 21 companies — with the exception of those that have been suspended, are undergoing liquidation, or have not appointed an investment manager — the Company distinguishes itself through its significantly larger AUM, variable fee structure, risk exposure, and investment strategy, particularly in relation to its underlying assets, with a focus on unlisted investments;
- (ii) historical performance and size among Chapter 21 companies — among Chapter 21 companies, the Company is the largest in terms of market capitalisation and is one of the largest in terms of net asset value and these can be attributed to the contributions made by CMCIM; in addition, amidst the market fluctuations in 2022 and 2023 and the general stock market, over a five-year review period, the Company has outperformed both the Hang Seng Index and the MSCI China Index by 8.51% and 3.37%, respectively;

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- (iii) length of service provided by CMCIM — over 30 years of cooperation with a deep understanding of the Company's strategy, CMCIM has consistently delivered strong returns to the Shareholders. The Company's NAV at the end of December 2023 had improved to approximately US\$558 million (net of the dividends of approximately US\$32 million paid for the financial years of 2021 and 2022);
- (iv) source and deal origination capabilities of CMCIM — by leveraging the relationship with CMG and CMCIM's extensive connections in the PRC and alignment with the Company, the Company has strategically tapped into cutting-edge opportunities, such as Pony AI Inc., Moonshot AI Ltd. and Flexiv Ltd. These investments are expected to strengthen growth and deliver satisfactory returns to the Shareholders;
- (v) comprehensive services provided by CMCIM — providing a comprehensive range of administrative services that are necessary for the Company's operation, including but not limited to, sourcing, executing and managing investment projects. Additionally, CMCIM also manages key responsibilities such as accounting, compliance and oversight of service providers; and
- (vi) it is the Company's investment objective to acquire quality investments, principally in unlisted enterprises, in the PRC. For unlisted investments, it normally takes longer time to go through the investment process including origination, due diligence, negotiation, decision-making, execution and closing. Moreover, the investment horizon for unlisted investments can even last longer as investee companies need time to realise their growth potentials and the Company needs to capture the desirable window to conduct divestments. To meet the demand under these practices, CMCIM needs sufficient time to carry out the investment management functions more effectively and responsibly. Therefore, for all practical operational purposes and as a generally accepted market practice, the Company believes a three-year term of the New Management Agreement better suits the nature of the Company's business operations as well as in compliance with the requirements under Chapter 14A of the Listing Rules.

Given the above, in particular, we have considered, among others, (i) the historical performance of CMCIM, its deal origination capabilities through its extensive connections in the PRC; (ii) the Company's investment focus on unlisted investment and the need for the investment manager to manage and optimise their entry points of investments, divestments and/or exit of investments at desirable windows with a view to enhance Shareholders' return; (iii) given the inherent nature of unlisted investments, which typically have an investment horizon of three years or more, as their underlying business may conduct several rounds of fund raising and would require time to grow and develop before attaining the desirable value appreciation upon possible exits, such as initial public offering and/or trade sale, and that their intrinsic value and potentials may require specialised knowledge to evaluate, therefore a frequent change of investment manager(s), the skill set of which may vary subject to the background and experience of the subject investment manager, would be counter-productive; (iv) the duration of a three-year term provides better stability, managerial and operational efficiency without the burden of going through the announcement and circular compliance related procedures and convening a general meeting to obtain Independent Shareholders' approval on an annual basis to consider, and if see fit, approve the renewal on an annual basis; and (v) the fact that the replacement of CMCIM would incur extra monetary and time costs for the Company

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(including in identifying and selecting a new manager, due diligence and negotiation of a new agreement, and possible disruption of its investment activities considering CMCIM's knowledge of and relationships with the existing investee companies). Details of further analysis on the duration of the appointment are set out under the sub-section headed "5.4 Our analysis on the terms of New Management Agreement - Duration of appointment" in this letter, the Company believes, and we concur that, it would be in the interests of the Company and the Shareholders as a whole to continue with the existing relationship with CMCIM by means of the New Management Agreement with a three-year term.

### 5.4 Our analysis on the terms of New Management Agreement

In assessing the fairness and reasonableness of the terms of the New Management Agreement, we have considered factors and conducted work and analysis as set out below.

#### *Existing Management Agreement*

The Existing Management Agreement was entered into on 18 October 2021, duly approved by the then independent Shareholders on 29 November 2021, and is due to expire on 31 December 2024. Save and except for a proposed reduction in the management fee rate, the terms of the New Management Agreement, including the scope of work, are in all material respects the same as the Existing Management Agreement.

Pursuant to the Existing Management Agreement, the remuneration paid/payable to CMCIM amounted to approximately US\$11.2 million, US\$10.5 million and US\$5.1 million for the years ended 31 December 2022 and 2023, and six months ended 30 June 2024, respectively. The above fee paid/payable was attributable to management fees as no performance fee was attained by CMCIM during the aforesaid periods.

#### *Chapter 21 ListCo. Comparables analysis*

We have conducted market research on the investment companies listed on the Stock Exchange under Chapter 21 of the Listing Rules (the "**Chapter 21 Listed Companies**") for our market comparable analysis, in particular, on the principal terms of their investment management agreement and the remuneration of their investment manager thereunder, including the management fee and the performance fee, where applicable.

Based on information published by the Stock Exchange, there were 21 Chapter 21 Listed Companies (excluding the Company) as at the date of the New Management Agreement. Out of the aforesaid population of 21 Chapter 21 Listed Companies, we have conducted further analysis and set out the following selection criteria, namely, (i) the shares of which are trading and excluding those which are suspended in trading as at 18 October 2024 (the "**date of the Announcement**"); (ii) under normal operations and excluding those which are undergoing liquidation as at the date of the Announcement; and (iii) engaged an external investment manager and have not internalised the investment management function as at the date of the Announcement (together the "**Initial Chapter 21 ListCo. Selection Criteria**"). However, during the course of our research, we noted that six of the Chapter 21 Listed Companies engaged Evergrande Securities (Hong Kong) Limited ("**ESHK**") as their investment manager up to early October 2024, and according to the respective announcements, such

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investment agreements were terminated as ESHK had decided to discontinue investment management services to all investment companies listed under Chapter 21 of the Listing Rules. Given that the respective investment management agreements between these Chapter 21 Listed Companies and ESHK were still in force up to early October, which is close to the date of the New Management Agreement, being 18 October 2024, we have also included the aforesaid six Chapter 21 Listed Companies to be part of our market comparables analysis for the purpose of having a more comprehensive and representative sample population (together with the Initial Chapter 21 ListCo. Selection Criteria, the “**Final Chapter 21 ListCo. Selection Criteria**”). Based on the Final Chapter 21 ListCo. Selection Criteria, we have identified a total of 12 comparables, listed pursuant to Chapter 21 of the Listing Rules (the “**Chapter 21 ListCo. Comparable(s)**”) on an exhaustive basis.

***Chapter 21 ListCo. Comparables table:***

<b>Company (stock code) and Market Capitalisation (as at 30 September 2024)</b>	<b>Net asset value  (“NAV”) as at 30 September 2024 based on the published information (Note 1 and 2) (approximate)</b>	<b>Basis of management fee</b>	<b>Basis of performance fee / incentive fee (Note 3 and 4)</b>	<b>Investment strategy and term of investment management agreement</b>
<b><i>Chapter 21 Listed Companies</i></b>				
1. UBA Investments Limited (768)	HK\$89.0 million	1.5% per annum of the NAV as at the immediately preceding the last trading day on the Stock Exchange in each calendar month	20% of the amount by which the NAV as at the end of the relevant financial year exceeds the high watermark	<b>Investment strategy:</b> Invest in listed and unlisted securities  <b>Term of investment management agreement:</b> a term of three years
Market Capitalisation: Approximately HK\$44.5 million				
2. Shanghai International Shanghai Growth Investment Limited (770)	US\$1.4 million (equivalent to approximately HK\$10.9 million)	0.5% per quarter of the NAV (equivalent to 2% per annum) (calculated before deduction of the fees payable to the investment manager, investment adviser and custodian for that quarter) calculated on the last day of the quarter	20% of the amount by which the NAV as at 31 December (in any year in which the incentive fee is being calculated) exceeds the high watermark	<b>Investment strategy:</b> Invest in listed and unlisted equity and debt securities as well as other financial instruments and investment vehicles  <b>Term of investment management agreement:</b> a term of three years
Market Capitalisation: Approximately HK\$1.3 million				

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	<b>Company (stock code) and Market Capitalisation (as at 30 September 2024)</b>	<b>Net asset value ("NAV") as at 30 September 2024 based on the published information (Note 1 and 2) (approximate)</b>	<b>Basis of management fee</b>	<b>Basis of performance fee / incentive fee (Note 3 and 4)</b>	<b>Investment strategy and term of investment management agreement</b>
3.	China Development Bank International Investment Limited (1062)  Market Capitalisation: Approximately HK\$209.0 million	HK\$1,002.7 million	HK\$300,000 per annum	—	<b>Investment strategy:</b> Equity investments primarily in companies or other entities with business interests of involvement in the PRC and/or Hong Kong  <b>Term of investment management agreement:</b> a term of three years
4.	China Castson 81 Finance Company Limited (810)  Market Capitalisation: Approximately HK\$43.1 million	HK\$31.1 million	HK\$32,500 per month (equivalent to HK\$390,000 per annum)	—	<b>Investment strategy:</b> Invest in listed and unlisted equities in Hong Kong and the PRC  <b>Term of investment management agreement:</b> an initial term of two years, and automatically extended for a further term of one year
5.	Cocoon Holdings Limited (428)  Market Capitalisation: Approximately HK\$51.8 million	HK\$189.5 million	HK\$774,000 per annum	—	<b>Investment strategy:</b> Invest in listed and unlisted securities  <b>Term of investment management agreement:</b> a term of one year
6.	China Innovation Investment Limited (1217)  Market Capitalisation: Approximately HK\$128.1 million	HK\$576.1 million	HK\$480,000 per annum	—	<b>Investment strategy:</b> Invest in listed and unlisted companies  <b>Term of investment management agreement:</b> an initial term of three years, and automatically renewed for another three years

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	<b>Company (stock code) and Market Capitalisation (as at 30 September 2024)</b>	<b>Net asset value ("NAV") as at 30 September 2024 based on the published information (Note 1 and 2) (approximate)</b>	<b>Basis of management fee</b>	<b>Basis of performance fee / incentive fee (Note 3 and 4)</b>	<b>Investment strategy and term of investment management agreement</b>
7.	China New Economy Fund Limited (80)  Market Capitalisation: Approximately HK\$77.9 million	HK\$79.2 million	HK\$600,000 per annum	—	<b>Investment strategy:</b> Global investment in both private and publicly listed enterprises in mainland China, Hong Kong, Macau and Taiwan (Note 5)
8.	Capital Realm Financial Holdings Group Limited (204)  Market Capitalisation: Approximately HK\$376.2 million	HK\$371.0 million	HK\$480,000 per annum	—	<b>Investment strategy:</b> Invest in listed and unlisted companies  <b>Term of investment management agreement:</b> an initial term of three years, and automatically renewed for a further term of three years
9.	Harbour Digital Asset Capital Limited (913)  Market Capitalisation: Approximately HK\$72.4 million	HK\$135.4 million	HK\$600,000 per annum	—	<b>Investment strategy:</b> Invest in listed and unlisted companies mainly in Hong Kong and PRC  <b>Term of investment management agreement:</b> an initial term of three years (Note 6)
10.	China Investment and Finance Group Limited (1226)  Market Capitalisation: Approximately HK\$158.8 million	HK\$152.7 million	HK\$720,000 per annum	—	<b>Investment strategy:</b> Invest in listed and unlisted companies mainly in Hong Kong and PRC  <b>Term of investment management agreement:</b> an initial term of three years (Note 6)

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Company (stock code) and Market Capitalisation (as at 30 September 2024)	Net asset value ("NAV") as at 30 September 2024 based on the published information (Note 1 and 2) (approximate)	Basis of management fee	Basis of performance fee / incentive fee (Note 3 and 4)	Investment strategy and term of investment management agreement
11. Capital VC Limited (2324)	HK\$274.0 million	HK\$600,000 per annum	—	<b>Investment strategy:</b> Invest in listed and unlisted companies mainly in Hong Kong and PRC
Market Capitalisation: Approximately HK\$33.6 million				<b>Term of investment management agreement:</b> an initial term of three years, and further extended for one year
12. Wealthink AI-Innovation Capital Limited (1140)	HK\$10,152.1 million	HK\$960,000 per annum	—	<b>Investment strategy:</b> Global investments in listed and unlisted enterprises
Market Capitalisation: Approximately HK\$1,020.5 million				<b>Term of investment management agreement:</b> a term of 1.25 years
	<b>Maximum:</b>	2.00% (Note 7)	20.00% (Note 8)	3 years
	<b>Minimum:</b>	1.50% (Note 7)	— (Note 8)	1 year
<b>Average of Chapter 21 ListCo. Comparables:</b>		1.75% (Note 7)	20.00% (Note 8)	2.3 years
<b>Under New Management Agreement:</b>	1.75% (unlisted securities) 1.25% (listed securities without restrictions / special conditions), 1.50% to 1.75% (listed securities with restrictions / special conditions) (Note 9)		8.00%	3 years

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*Notes:*

1. Based on, where applicable, published announcement, interim and/or annual report of the subject investment fund.
2. For Chapter 21 ListCo. Comparables, where (i) Hong Kong dollar denominated NAV figure is stated in the subject published information, such will be used for the purpose of this table; or (ii) U.S. dollar denominated NAV is stated in the subject published information, the exchange rate as set out under note 3 below will be applied for the purpose of this table.
3. In this table, US\$ is converted into HK\$ at the rate of US\$1: HK\$7.8 for illustration purposes only. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.
4. For basis of performance fee / incentive fee, where public information and/or the relevant information source did not specify or where the subject investment manager's remuneration does not include performance fee / incentive fee, such is denoted by "-" in the table,
5. Not publicly disclosed the existing term of the investment management agreement.
6. For the term of investment management agreements, where there are no public information and/or relevant disclosure specifying the existing term of investment management agreements upon expiry of the subject initial terms, the initial term was disclosed in the table above.
7. Such average excludes Chapter 21 ListCo. Comparables with a fixed management fee structure.
8. Such average excludes Chapter 21 ListCo. Comparables without a performance fee structure.
9. Pursuant to the New Management Agreement, on the Invested Portion of the Assets of the Company represented by securities listed on a recognised stock exchange (i) during the lockup period following listing: 1.75% of the book value (net of taxes); (ii) for the one year after the lockup period lapses: 1.50% of the book value (net of taxes); (iii) thereafter: 1.25% of the book value (net of taxes); and (iv) in respect of listed securities purchased from the secondary securities market: 1.25% of the book value (net of taxes). For the purpose of this table only, securities which fall under the description of (i) and (ii) are considered as listed securities with restrictions / special conditions, and securities which fall under the description of (iii) and (iv) are considered as listed securities without restrictions / special conditions.

Out of the Chapter 21 Listed Companies, we noted the following:

- (i) three of the Chapter 21 Listed Companies appear to have not publicly disclosed the basis and structure of the current investment management fee, the aforesaid excluded those that were in suspension in trading and/or under liquidation and/or where the investment management function have been internalised by the respective companies as at the date of the Announcement;



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- (ii) there are a variety of management fee and performance fee structures, ranging from a “fixed percentage of management fee without performance fee” structure to a combination of “management fee and variable performance fee” structure, with reference to, where applicable, high watermark, NAV appreciation. From the above, it is noted that the investment managers have unique remuneration fee structure to compensate for their work which would depend on their work scope, scale and responsibilities, as well as their performance; and
- (iii) ten of the Chapter 21 ListCo. Comparables only have a fixed management fee with no specification on the performance/incentive fee structure. Most of these Chapter 21 ListCo. Comparables primarily invested in listed securities, fund investment and/or debt investment, or a combination of the above, with the objective to attain medium to long term capital appreciation. The role of these investment managers may differ from the role of CMCIM, which include, among others, identifying and evaluating investment opportunities, executing investment decisions, monitoring and enhancing investments of the Company, making decisions on investments and realisations for the Company rather than being limited to identifying, reviewing and evaluating investment opportunities and providing recommendations to the subject investment committee and executing as per the instruction of the subject investment committee. Furthermore, having a portion of an investment manager’s remuneration tied to its performance should further align its interests with that of the shareholders.

It is noted that the proposed management fees (i.e. a maximum of 1.75% per annum, subject to investment mix), performance fees (i.e. 8.00% with reference to High Watermark) as well as term of appointment (i.e. a three year term) under the New Management Agreement is within the range of the management fees (i.e. 1.50% to 2.00% per annum), the performance fee (i.e. 20.00% with reference to high watermark) as well as term of appointment (i.e. one to three year term) of the relevant Chapter 21 ListCo. Comparables respectively, therefore is considered to be fair and reasonable.

Nonetheless, with a view to provide a comprehensive and thorough analysis, on a best effort and non-exhaustive basis, we have expanded the universe of our research into comparable investment companies / funds which primarily invest in listed securities (the “**Listed Securities Investment Funds**”) or unlisted securities (the “**Unlisted Securities Investment Funds**”). Further analysis on the management fees, the performance fees and the duration of the investment management agreements are set out below.

### *Analysis on Listed Securities Investment Funds and Unlisted Securities Investment Funds*

In this connection, we have identified 15 Listed Securities Investment Funds with a range of asset under management (“**AUM**”) sizes, thereby covering a broad spectrum of investment funds. As for the Unlisted Securities Investment Funds, we have established the following selection criteria, specifically based on the Company’s unlisted portfolio and its corresponding investment strategy, and supported by research from independent, data-driven information providers like Bloomberg, namely (i) an investment fund with an AUM between US\$500 million to US\$1 billion; (ii) a fund strategy on growth and/or expansion; (iii) fund sector in innovation / technology / artificial intelligence; and (iv) a global geographic focus. Under the aforesaid selection criteria, we have identified 11 Unlisted Securities Investment Funds, which we consider to be appropriate references for the purpose of our comparable analysis. However, given the sheer number of investment funds, the Listed Securities

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Investment Funds and the Unlisted Securities Investment Funds do not intend to cover the entire population of these investment funds as such would neither be practical nor necessary as it would overload Independent Shareholders with information and divert their attention. Instead, such information is intended to provide a reference and insight into the general market practice.

Based on the Final Chapter 21 ListCo. Selection Criteria, we have identified 12 Chapter 21 ListCo. Comparables as analysed under sub-section headed “Chapter 21 ListCo. Comparables analysis” above, and we have, based on the selection criteria as set out in the preceding paragraph, further identified a list of 26 investment funds (the “**Comparable Investment Funds**” together with the Chapter 21 ListCo. Comparables, the “**Market Comparables**”) (excluding the Company) for our market comparable analysis. Shareholders should note that the Market Comparables may have different background, investment objectives and strategies, asset size and operations, and their unique remuneration fee structure to serve their purpose, and therefore may or may not be direct comparable to that of the Company in these aspects.

Nevertheless, given the Market Comparables are selected based on the Final Chapter 21 ListCo. Selection Criteria and the selection criteria as set out in the preceding paragraph, we considered the Market Comparables to be an appropriate market benchmark for the purpose of our analysis. Details of the Comparable Investment Funds, in particular, the fund size and remuneration package of their respective investment managers in management fees and/or performance fees, are set out below for comparison purposes:

***Comparable Investment Funds table:***

	<b>Comparable Investment Fund</b>	<b>AUM based on the published information (Note 1 and 2) (approximate)</b>	<b>Basis of management fee</b>	<b>Basis of performance fee / incentive fee (Note 3)</b>
<b><i>Listed Securities Investment Funds</i></b>				
1.	Listed Securities Investment Fund A	US\$1,960 million (equivalent to approximately HK\$15,288 million)	1.50%	—
2.	Listed Securities Investment Fund B	US\$1,791 million (equivalent to approximately HK\$13,970 million)	1.72%	—
3.	Listed Securities Investment Fund C	US\$1,280 million (equivalent to approximately HK\$9,984 million)	1.20%	—
4.	Listed Securities Investment Fund D	US\$1,970 million (equivalent to approximately HK\$15,366 million)	1.20%	—

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	<b>Comparable Investment Fund</b>	<b>AUM based on the published information (Note 1 and 2) (approximate)</b>	<b>Basis of management fee</b>	<b>Basis of performance fee / incentive fee (Note 3)</b>
5.	Listed Securities Investment Fund E	US\$1,080 million (equivalent to approximately HK\$8,424 million)	0.87%	—
6.	Listed Securities Investment Fund F	US\$102 million (equivalent to approximately HK\$796 million)	1.50%	—
7.	Listed Securities Investment Fund G	US\$370 million (equivalent to approximately HK\$2,886 million)	1.50%	—
8.	Listed Securities Investment Fund H	US\$250 million (equivalent to approximately HK\$1,950 million)	1.25%	—
9.	Listed Securities Investment Fund I	US\$245 million (equivalent to approximately HK\$1,911 million)	1.10%	—
10.	Listed Securities Investment Fund J	US\$274 million (equivalent to approximately HK\$2,137 million)	0.89%	—
11.	Listed Securities Investment Fund K	US\$220 million (equivalent to approximately HK\$1,716 million)	0.85%	—
12.	Listed Securities Investment Fund L	US\$147 million (equivalent to approximately HK\$1,147 million)	0.75%	—
13.	Listed Securities Investment Fund M	US\$10 million (equivalent to approximately HK\$78 million)	1.50%	—
14.	Listed Securities Investment Fund N	US\$15 million (equivalent to approximately HK\$117 million)	1.80%	10.00%

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	<b>Comparable Investment Fund</b>	<b>AUM based on the published information (Note 1 and 2) (approximate)</b>	<b>Basis of management fee</b>	<b>Basis of performance fee / incentive fee (Note 3)</b>
15.	Listed Securities Investment Fund O	US\$5 million (equivalent to approximately HK\$39 million)	1.50%	—
<b><i>Unlisted Securities Investment Funds</i></b>				
16.	Unlisted Securities Investment Fund A	US\$954 million (equivalent to approximately HK\$7,441 million)	2.00%	20.00%
17.	Unlisted Securities Investment Fund B	US\$800 million (equivalent to approximately HK\$6,240 million)	1.50%	20.00%
18.	Unlisted Securities Investment Fund C	US\$792 million (equivalent to approximately HK\$6,178 million)	2.00%	20.00%
19.	Unlisted Securities Investment Fund D	US\$775 million (equivalent to approximately HK\$6,045 million)	2.50%	20.00%
20.	Unlisted Securities Investment Fund E	US\$580 million (equivalent to approximately HK\$4,524 million)	2.00%	20.00%
21.	Unlisted Securities Investment Fund F	US\$535 million (equivalent to approximately HK\$4,173 million)	2.50%	20.00%
22.	Unlisted Securities Investment Fund G	US\$500 million (equivalent to approximately HK\$3,900 million)	2.00%	20.00%
23.	Unlisted Securities Investment Fund H (Note 4)	US\$1,321 million (equivalent to approximately HK\$10,304 million)	1.50%	7.50%

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	<b>Comparable Investment Fund</b>	<b>AUM based on the published information (Note 1 and 2) (approximate)</b>	<b>Basis of management fee</b>	<b>Basis of performance fee / incentive fee (Note 3)</b>
24.	Unlisted Securities Investment Fund I (Note 4)	US\$1,429 million (equivalent to approximately HK\$11,146 million)	2.08%	20.00%
25.	Unlisted Securities Investment Fund J (Note 4)	US\$1,178 million (equivalent to approximately HK\$9,188 million)	0.85%	—
26.	Unlisted Securities Investment Fund K	US\$535 million (equivalent to approximately HK\$4,173 million)	2.50%	20.00%
		<b>Maximum:</b>	2.50% (Note 5)	20.00% (Note 6)
		<b>Minimum:</b>	0.75% (Note 5)	7.50% (Note 6)
	<b>Average of Listed Securities Investment Funds:</b>		1.28% (Note 5)	10.00% (Note 6)
	<b>Average of Unlisted Securities Investment Funds:</b>		1.95% (Note 5)	18.75% (Note 6)
	<b>Under New Management Agreement:</b>		1.75% (unlisted securities) 1.25% (listed securities without restrictions / special conditions), 1.5% to 1.75% (listed securities with restrictions / special conditions) (Note 7)	8.00%

*Notes:*

1. Based on, where applicable, published information of the investment fund or Bloomberg.
2. In this table, US\$ is converted into HK\$ at the rate of US\$1: HK\$7.8 for illustration purposes only. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.
3. For basis of performance fee / incentive fee, where public information and/or the relevant information source did not specify or where the subject investment manager's remuneration does not include performance fee / incentive fee, such is denoted by "-" in the table.
4. Unlisted Securities Investment Fund H, I, and J, despite exceeding an AUM of US\$1 billion and/or lacking a performance fee, were nonetheless included in the Unlisted Securities Investment Funds set due to the comparable reputable status of their investment manager(s) to CMCIM.

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5. Such average excludes Comparable Investment Funds with a fixed management fee structure.
6. Such average excludes Comparable Investment Funds without a performance fee structure.
7. Pursuant to the New Management Agreement, on the Invested Portion of the Assets of the Company represented by securities listed on a recognised stock exchange (i) during the lockup period following listing: 1.75% of the book value (net of taxes); (ii) for the one year after the lockup period lapses: 1.50% of the book value (net of taxes); (iii) thereafter: 1.25% of the book value (net of taxes); and (iv) in respect of listed securities purchased from the secondary securities market: 1.25% of the book value (net of taxes). For the purpose of this table only, securities which fall under the description of (i) and (ii) are considered as listed securities with restrictions / special conditions, and securities which fall under the description of (iii) and (iv) are considered as listed securities without restrictions / special conditions.

### *Our analysis on the management fee*

Pursuant to the New Management Agreement, CMCIM shall charge management fees (the “**Management Fees**”) as set out below:

- (a) on the Invested Portion of the Assets of the Company represented by unlisted securities or interests: 1.75% of the book value (net of taxes); and
- (b) on the Invested Portion of the Assets of the Company represented by securities listed on a recognised stock exchange will be:
  - (i) during the lockup period following listing: 1.75% of the book value (net of taxes);
  - (ii) for the one year after the lockup period lapses: 1.50% of the book value (net of taxes);
  - (iii) thereafter: 1.25% of the book value (net of taxes); and
  - (iv) in respect of listed securities purchased from the secondary securities market: 1.25% of the book value (net of taxes).

We have reviewed the Existing Management Agreement and noted that while the structure of the management fee is similar, the proposed fee percentage to be charged under each of (a) and (b)(i)(ii)(iii)(iv) pursuant to the New Management Agreement will be 25 basis points lower than that of the Existing Management Agreement. We also noted that the management fee is based on the book value (net of taxes) of the Invested Portion of the Assets of the Company. As advised by the Management, we understand that the tax is primarily referring to the deferred taxation of unrealised capital gains for investments, which has been provided on the consolidated financial statements of the Group. Given the magnitude of other liabilities are broadly immaterial compared to the book value of the Company based on the 2024 Interim Report, thus, the management fee structure of the Company (based on book value and net of taxes) is comparable to the management fee structure of that of the market comparables, which are mostly based on net asset value.

With reference to the Chapter 21 ListCo. Comparables, the management fee, which may be a fixed amount or represented in a percentage of the NAV of the subject company, for those which charged a fixed amount, such amounts ranged from HK\$0.30 million to HK\$0.96 million per annum, and as for the those which charged management fee as a percentage of the NAV, their management fee ranged from 1.5% to 2.0% per annum based on their respective NAV.

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With reference to the Management Fees structure, we noted that the maximum management fee rate (assuming all the Assets of the Company are either (i) unlisted securities or interests; or (ii) securities listed on a recognised stock exchange during the lockup period following listing (the “**Assumption**”)) would be 1.75%, which is within the Chapter 21 ListCo. Comparables’ management fee rate range.

In any event, as advised by the Management and based on the announcement of the Company dated 15 October 2024, which sets out a breakdown of the Company’s total asset as at 30 September 2024, given the then portfolio comprised a range of listed and unlisted securities, it is unlikely that CMCIM will receive the maximum management fee rate calculated based on the Assumptions as mentioned above in a given year under normal circumstances.

Based on our research, we also noted that the NAV of the Company is among the highest out of the Chapter 21 ListCo. Comparables, and it has a wide range of unlisted investments across sectors as well as a sizeable listed securities portfolio. On this basis, the work of CMCIM, including deal sourcing, pre-deal due diligence, deal negotiation and monitoring of unlisted investments, would involve the coverage of a number of sectors as well as locations, and therefore would entail more research and work.

We have conducted further analysis on the management fee of investment funds investing in (i) listed securities; and (ii) non-listed securities. Pursuant to the New Management Agreement, the management fee for listed securities that are not subject to lock-up or within one year post lock-up period is 1.25%. The 1.25% management fee is within the range of 0.75% to 1.80%, and below the average of the management fee for Listed Securities Investment Funds as detailed in the Comparable Investment Funds table. As for the management fee for unlisted securities of 1.75%. The 1.75% management fee is within the range of 0.85% to 2.50%, and below the average of the management fee for Unlisted Securities Investment Funds as detailed in the Comparable Investment Funds table.

Having considered that (i) the satisfactory long-term services provided by CMCIM, which is familiar with the operations of the Company from providing investment management services to the Company for over 30 years; (ii) the NAV of the Company has increased significantly in the past twenty years from approximately US\$139.0 million as at 31 December 2004 to approximately US\$557.9 million as at 31 December 2023, representing a compound annual growth rate of approximately 7.6%, which has not taken into account of cash dividends of over US\$200 million and buy-back of Shares of over US\$21 million related to the said period, respectively; and (iii) the rate of the Management Fees is within the management fee range of the Market Comparables, which comprised of the Chapter 21 ListCo. Comparables, the Listed Securities Investment Funds and the Unlisted Securities Investment Funds, as detailed in the Chapter 21 ListCo. Comparables table and the Comparable Investment Funds table above, we are of the view that the basis of the Management Fees is fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Our analysis on the performance fee*

Pursuant to the New Management Agreement, the Company will pay CMCIM an annual performance fee of 8% on the amount by which the NAV of the Company as at the end of the relevant financial year (as Adjusted (as defined in the Letter from the Board)) exceeds the High Watermark (defined hereafter) (the “**Performance Fee**”) conditional upon the NAV at the end of each financial year (as Adjusted) exceeding the higher (the “**High Watermark**”) of:

- (i) the NAV for the Reference Year (as defined in the Letter from the Board); and
- (ii) the NAV of the most recent financial year after the Reference Year and in which a performance fee was paid.

With reference to the Market Comparables, despite that there are various performance fee structures, performance fee of investment managers being linked to a high watermark is not an uncommon feature. High watermark provisions typically require the subject NAV of the company as at the end of the relevant financial year to be higher than (i) the NAV as at the end of the latest financial year in which a performance fee was paid; and (ii) the NAV as at a specific date, in order for the investment manager to become entitled to the performance fee.

It is also noted that while the Performance Fee rate of 8.00% under the New Management Agreement is the same as that under the Existing Management Agreement, the Performance Fee rate of 8.00% is within range and lower than the average of those Market Comparables which has a remuneration structure comprised of performance fees, in particular, it is notably lower than the level of performance fees of the Unlisted Securities Investment Funds as detailed under the Comparable Investment Funds table in this letter above. It is noted that while for some investment management agreements for funds primarily focused on listed securities investment may not have performance fee as part of their remuneration structure given the scope of their investment manager’s responsibilities, performance fees for investment managers which primarily invested in unlisted securities, such as, private equity funds, are not uncommon in the market.

Having considered that (i) the Performance Fee with a high watermark provision would provide incentives for CMCIM to work towards attaining good performance and further align the interests of CMCIM and that of the Shareholders as both parties would benefit from a growth in NAV of the Company; (ii) the Performance Fee rate pursuant to the New Management Agreement is within range and lower than the average of those Market Comparables which adopt a high watermark provision as analysed above; (iii) CMCIM has provided satisfactory long-term services to the Company; and (iv) CMCIM has contributed positively towards the development of the Company, including the growth in the NAV of the Company over the past 20 years, we are of the view that the basis of the Performance Fee is fair and reasonable.

### *Duration of appointment*

As set out in the Letter from the Board, the renewal of the appointment of CMCIM pursuant to the New Management Agreement is for a term of three years, commencing on 1 January 2025 and ending on 31 December 2027 (for three years), conditional upon the approval by the Independent Shareholders at the EGM No.1.



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Nonetheless, it is noted from the announcement of the Company dated 15 October 2024 that on 14 October 2024, the Company received a letter dated 9 October 2024 issued by various company and entities which purport to hold Shares representing over 5% of total voting rights of all the Shareholders having a right to vote at general meeting, to request the Board to call an extraordinary general meeting to be held for considering and, if thought fit, passing the ordinary resolution, including among others, the term of all new investment management agreement(s) to be entered into (or renewed) between the Company and CMCIM (or any other investment manager(s) affiliated with the China Merchants Group and/or Mr. CHU Lap Lik, Victor) shall be at most one year, and that the Directors are not authorised to execute for and on behalf of the Company any new investment management agreement(s) with a term of more than one year.

With a view to assess the fairness and reasonableness of the proposed duration of appointment, we have considered factors and conducted analysis as set out below. Based on our research on the Chapter 21 ListCo. Comparables, the proposed renewal of three years by the Company are within range of the duration of the investment management agreement under the Chapter 21 ListCo. Comparables of one year to three years.

We have also considered the merits and limitations of a renewal for a one year term and a three year term. In general, for merits of renewing a given investment management agreement for three years without taking into account the nature of the underlying investments it owned possibly be as follows, such include (i) promoting long term investment mindset and strategy of the subject investment manager as they are engaged for a period of three years and therefore they can manage and optimise their entry points of investments, divestments and/or exit of investments at an appropriate time, rather than being pressured into buying or selling investments hoping to achieve higher short term gains which expose the subject company to undue risks; (ii) providing stability, managerial and operational efficiency without the burden of going through the announcement and circular compliance related procedures and convening a general meeting to obtain independent shareholders' approval on an annual basis to consider, and if see fit, approve the renewal on an annual basis; and (iii) for investment portfolios which comprise of a range of unlisted investments, which typically have an investment horizon of three years or more, as their underlying business may conduct several rounds of fund raising and would require time to grow and develop before attaining the desirable value appreciation upon possible exits, such as initial public offering and/or trade sale, and that their intrinsic value and potentials may require specialised knowledge to evaluate, therefore a frequent change of investment manager(s), the skill set of which may vary subject to the background and experience of the subject investment manager, would be counter-productive.

In general, for merits of renewing a given investment management agreement for one year without taking into account the nature of the underlying investments it owned possibly be as follows, such include, (i) without the certainty of subsequent renewal after the expiration of the one year term in itself would act as an incentive for the investment manager to perform to the best of its abilities with a view to demonstrate its worth within the existing term of engagement in order to maximise its chance of renewal after the expiration of its term; and (ii) under the circumstances where the investment manager under-perform expectations, the subject company can replace the investment manager after the expiration of its term of one year rather than having to wait for the expiration of a three year term.

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Given a majority of the investment in the Company's portfolio is unlisted securities and a longer time horizon is generally needed prior to their realisation / exits and certain of which may subject to post IPO lock ups, it would therefore be in the interests of the Company and the Shareholders as a whole to re-appoint the investment manager for three years given the stability and their accumulated knowledge of the investee companies would be beneficial to the operations and performance of the Company in the long run.

### 5.5 Our analysis on the Proposed Annual Caps

Based on the Letter from the Board, we herewith set out a summary of (i) the historical transaction amounts in respect of the remuneration paid/payable to CMCIM under the Existing Management Agreement; and (ii) the proposed annual caps for the three years ending 31 December 2027:

	Historical transaction amount			Proposed Annual Caps		
	For the year ended 31 December		For the six months ended 30 June	For the year ending 31 December		
	2022	2023	2024	2025	2026	2027
	US\$	US\$	US\$	US\$	US\$	US\$
	(audited)	(audited)	(unaudited)			
Management fee	11,154,282	10,458,859	5,090,487			
Performance fee	—	—	—			
Total remuneration payable	11,154,282	10,458,859	5,090,487			
			(up till 30 June 2024)			
<b>Annual cap</b>	<b>72,000,000</b>	<b>74,000,000</b>	<b>76,000,000</b>	<b>36,000,000</b>	<b>36,000,000</b>	<b>36,000,000</b>
<b>Utilisation rate (%)</b>	<b>15.49</b>	<b>14.13</b>	<b>6.70</b>			
			(up till 30 June 2024)			

As stated in the Letter from the Board, we noted that the Proposed Annual Caps were determined after considering, among others, (i) the Company's scale of operation as at 30 June 2024 (i.e. in terms of its AUM of approximately US\$758 million and net asset value of approximately US\$602 million); (ii) the potential growth in the underlying value of the investment portfolio of the Company, in particular, the potential increase in value as a result of the potential listing of some of its unlisted investments in the PRC or overseas and the potential increase in value of its listed and unlisted investments; (iii) the historical record of the management fee (an average of approximately US\$11 million per year under the Existing Management Agreement) and performance fee (the most recent record high of approximately US\$10 million was paid by the Company in 2020) received by CMCIM; (iv) the utilisation rates of the annual caps under the Existing Management Agreement; and (v) the fee rates under the New Management Agreement.

It is noted that the historical total remuneration paid/payable to CMCIM for the two years ended 31 December 2022 and 2023, and for the year ending 31 December 2024, on an annualised basis, ranged from approximately US\$10.2 million to US\$11.2 million. The high-end of the range represented over 30% of the Proposed Annual Caps.

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In this connection, we also noted that both the Stock Exchange and the Shanghai Stock Exchange has experienced a period of significant price fluctuations during September and October 2024 which may or may not continue into the foreseeable future. Given the fluctuations in the Chinese stock markets and the growth potentials of the industries the Company has investments in, namely, (i) financial services; (ii) information technology, including artificial intelligence and healthcare related technologies; and (iii) culture, media and consumptions, as well as the possible divestment of unlisted investments via initial public offerings, the Proposed Annual Caps should have sufficient flexibility to ensure that any notable increase in Management Fees and Performance Fee attributable to increase in NAV of the Company can be fully catered for.

It should also be noted that CMCIM has been entitled to performance fees under previous investment management agreements for the financial years 2006, 2007, 2009, 2014, 2015, 2017, 2020 and 2021, which was mainly attributable to a substantial increase in the value of the Company's investment portfolio at the material time. Given that the level of Performance Fee payable to CMCIM is driven by the valuation of the investment portfolio of the Company, which may fluctuate from year to year due to, among others, market volatility, the successful listing(s) of the investee companies, appreciation in value to investments representing a notable portion of the Company's investment portfolio, we are of the view that it is appropriate to consider the amount of performance fee paid to CMCIM in the most recent years (i.e. 2014, 2015, 2017, 2020 and 2021) when assessing the reasonableness of the Proposed Annual Caps. In 2014, 2015, 2017, 2020 and 2021, CMCIM received total remuneration (i.e. management fee and performance fee combined) of approximately US\$21.0 million, US\$13.5 million, US\$19.9 million, US\$21.1 million and US\$18.9 million, respectively.

As the remuneration payable to CMCIM is based on the NAV of the Company, we have reviewed the 2023 Annual Report and 2024 Interim Report and set out the NAV of the Company as at the respective dates:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	US\$	US\$	US\$	US\$
	(audited)	(audited)	(audited)	(unaudited)
NAV	805,697,463	571,570,453	557,939,788	602,363,456

Having considered (i) the total remuneration paid/payable to CMCIM for the two years ended 31 December 2022 and 2023, and for the year ending 31 December 2024; (ii) the recent notable fluctuations in the Chinese stock markets, the growth potentials of the industries the Company has investments in as well as the potential that some of the investments may attain successful listing in the future; (iii) the performance fees payable to CMCIM under previous investment management agreements; (iv) the NAV of the Company; (v) although the utilisation rate of the historical annual caps under the Existing Management Agreement was relatively low, which ranged from approximately 14.13% to 15.49%, mainly attributable to the then market conditions, the Proposed Annual Caps have already been lowered by more than 50% compared to the annual cap for the year ending 31 December 2024; and (vi) the Company has to cater for the possible circumstances as set out in this section above, on this basis, we are of the view that the Proposed Annual Caps are fair and reasonable.

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However, Independent Shareholders should note that the Proposed Annual Caps do not intend to represent the amounts that will be paid/payable to CMCIM as the actual Management Fees and Performance Fee (if any) payable to CMCIM will subject to the relevant terms under the New Management Agreement.

### 6 RECOMMENDATION

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

Accordingly, we recommend the Independent Board Committee to advise, and we ourselves advise, the Independent Shareholders, to vote in favour of the relevant resolution to be proposed at the EGM No.1 to approve the New Management Agreement (including the Proposed Annual Caps) and the transaction contemplated thereunder at the EGM No.1.

Yours faithfully  
For and on behalf of  
**Red Sun Capital Limited**  
**Jimmy Chung**  
*Managing Director*

*Mr. Jimmy Chung is licensed persons registered with the Securities and Futures Commission of Hong Kong and responsible officers of Red Sun Capital Limited to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. Mr. Jimmy Chung have over 25 years of experience in corporate finance industry.*

## 1. RESPONSIBILITY STATEMENT

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

## 2. DIRECTORS' AND CHIEF EXECUTIVES' DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives in the Shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) which were required pursuant to section 352 of the SFO to be entered in the register maintained by the Company referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) were as follows:

### Long position in the Shares

Name of Director	Capacity	Number of Shares interested	Approximate percentage of shareholding
Mr. WANG Xiaoding	Beneficial owner	212,000	0.14%

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

As at the Latest Practicable Date, the following Directors were a director or employee of a company which had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

- (a) Mr. ZHOU Xing is the deputy general manager and secretary of the board of China Merchants Financial Holdings Co., Ltd., which is a wholly owned subsidiary of China Merchants Group Limited.

- (b) Mr. ZHANG Rizhong is the general manager of China Merchants Testing Technology Holding Co., Ltd., which is a wholly owned subsidiary of China Merchants Group Limited.

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

### 3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, so far as is known to the Directors, the following persons (not being Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Shareholder	Long/short position	Capacity	Number of Shares interested	Approximate percentage of shareholding
China Merchants Group Limited ( <i>Note 1</i> )	Long position	Interest of controlled corporation	42,022,041	27.59%
China Merchants Steam Navigation Company Limited ( <i>Note 1</i> )	Long position	Interest of controlled corporation	42,022,041	27.59%
China Merchants Financial Holdings Co., Ltd. ( <i>Note 1</i> )	Long position	Interest of controlled corporation	42,022,041	27.59%
China Merchants Financial Holdings (Hong Kong) Company Limited ( <i>Note 1</i> )	Long position	Interest of controlled corporation	42,022,041	27.59%
Good Image Limited	Long position	Beneficial owner	42,022,041	27.59%
Lazard Asset Management LLC	Long position	Investment manager	26,122,819	17.15%
CHAN Kin ( <i>Note 2</i> )	Long position	Interest of controlled corporation	14,032,000	9.21%
Argyle Street Management Holdings Limited ( <i>Note 3</i> )	Long position	Interest of controlled corporation	14,032,000	9.21%
Argyle Street Management Limited ( <i>Note 3</i> )	Long position	Investment manager	14,032,000	9.21%
ASM Co-Investment Term Trust I	Long position	Beneficial owner	22,000	0.01%
ASMH (Cayman) Limited ( <i>Note 4</i> )	Long position	Investment manager	14,010,000	9.20%
ASM Connaught House (Master) Fund V LP ( <i>Note 3</i> )	Long position	Interest of controlled corporation	12,720,000	9.01%
		Beneficial owner	1,010,000	

Shareholder	Long/short position	Capacity	Number of Shares interested	Approximate percentage of shareholding
Cochrane Street Limited (Note 4)	Long position	Interest of controlled corporation	12,720,000	8.35%
ASM Connaught House General Partner V Limited (Note 4)	Long position	Investment manager	13,730,000	9.01%
ASM Connaught House (Master) Fund III LP (Note 3)	Long position	Interest of controlled corporation	12,720,000	8.53%
		Beneficial owner	280,000	
Cantonment Road Limited (Note 4)	Long position	Interest of controlled corporation	12,720,000	8.35%
ASM Connaught House General Partner III Limited (Note 4)	Long position	Investment manager	13,000,000	8.53%
Meyer Road Limited (Note 5)	Long position	Interest of controlled corporation	12,720,000	8.35%
Loyang Street Limited	Long position	Beneficial owner	12,720,000	8.35%

*Note 1: China Merchants Group Limited, China Merchants Steam Navigation Company Limited, China Merchants Financial Holdings Co., Ltd. and China Merchants Financial Holdings (Hong Kong) Company 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 2: According to the notice filed by CHAN Kin on 19 June 2024, CHAN Kin is deemed to have corporate interests in the shares by virtue of his controlling shareholding (i.e. 50.13%) in Argyle Street Management Holdings Limited and ASMH (Cayman) Limited.*

*Note 3: According to the notices filed by Argyle Street Management Holdings Limited and Argyle Street Management Limited on 19 June 2024, each of Argyle Street Management Holdings Limited, ASM Connaught House (Master) Fund V LP and ASM Connaught House (Master) Fund III LP is 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. Besides, Argyle Street Management Limited held the shares in the capacity of investment manager through its entire shareholding in ASM Co-Investment Term Trust I, ASM Connaught House (Master) Fund V LP and ASM Connaught House (Master) Fund III LP.*

*Note 4: According to the notice filed by ASMH (Cayman) Limited on 19 June 2024, ASMH (Cayman) Limited held the shares in the capacity of investment manager through its controlling shareholding (i.e. 70%) in ASM Connaught House General Partner V Limited and ASM Connaught House General Partner III Limited. Besides, each of Cochrane Street Limited and Cantonment Road Limited is deemed to have corporate interests in the shares by virtue of its controlling shareholding (i.e. 62.52% and 37.48% respectively) in Meyer Road Limited.*

*Note 5: According to the notices filed by ASM Connaught House (Master) Fund V LP and ASM Connaught House General Partner V Limited on 2 July 2024, Meyer Road Limited is deemed to have corporate interests in the shares by virtue of its controlling shareholding (i.e. 85.71%) in the company whose name is set out immediately under it.*



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

#### **4. COMPETING INTERESTS**

Mr. ZHOU Xing is a director of China Merchants Capital Investment Co., Ltd. which is actively involved in direct investments and which may compete, either directly or indirectly, with business of the Group. Ms. KAN Ka Yee, Elizabeth is a director of various companies within First Eastern Investment Group which is actively involved in direct investments in the PRC and which may compete, either directly or indirectly, with business of the Group. However, the Company is capable of carrying on its business independently of, and at arm's length from, the businesses of China Merchants Capital Investment Co., Ltd. and First Eastern Investment Group. If conflict of interest arises on the part of Mr. ZHOU Xing or Ms. KAN Ka Yee, Elizabeth, as the case may be, he or she shall, pursuant to the Articles of Association, not vote nor be counted in the quorum on the relevant resolution of the Board.

As at the Latest Practicable Date, save as disclosed, in so far as the Directors are aware, none of the Directors or any of their respective associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, other than those businesses to which the Directors and his or her associates were appointed to represent the interests of the Company and/or the Group.

#### **5. DIRECTORS' SERVICE CONTRACTS**

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

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

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2023, being the date to which the latest published audited financial statements of the Group were made up.



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

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

CMCIM is engaged as the investment manager of the Company under the Existing Management Agreement. On 18 October 2024, the Company entered into the New Management Agreement with CMCIM in relation to the proposed re-appointment of CMCIM as the Company's investment manager for the Management Period, immediately following the expiry date of the Existing Management Agreement on 31 December 2024. Mr. WANG Xiaoding, Mr. TSE Yue Kit and Ms. KAN Ka Yee, Elizabeth are directors of both the Company and CMCIM. Ms. KAN Ka Yee, Elizabeth has indirect beneficial interest in CMCIM.

Under the New Management Agreement, which is subject to approval by the Independent Shareholders, the appointment of CMCIM is for a fixed term commencing on 1 January 2025 and ending on 31 December 2027. Thereafter, subject to the approval by the Independent Shareholders in accordance with the Listing Rules and compliance with all other applicable requirements under the Listing Rules, the appointment of CMCIM under the New Management Agreement shall be renewed for further periods of three years after the expiry of each fixed term, unless either party shall at least 6 months prior to such expiry date give notice to the other party not to renew the appointment, whereupon the New Management Agreement will terminate at the end of the then current fixed period.

### Sub-participation Scheme (the "Scheme")

In order to strengthen the investment management process, and to align the interests of management and staff with the interests of the Company in entering new investment projects, CMCIM, with the consent of the Company, has administered the Scheme since 2009.

Under the Scheme, the Company has entered into sub-participation agreements (the "Agreements") with certain Directors, certain directors and employees of CMCIM, and persons nominated by shareholders of CMCIM (collectively the "Participants"), with respect to new investments made by the Company beginning in 2009. Pursuant to the Agreements, the Participants will receive a portion of the return (in the form of dividends, interest, or other distributions or proceeds from realisation) from the Company's investment in the project company that is proportional to the amount provided by the Participants to the Company as a percentage of the Company's total investment in the project company. If the Company suffers a loss from its investment in the project company, the Participants will correspondingly share a loss in the amount they provided to the Company on a pro rata basis. The Agreements will terminate upon either the realisation of the investment in the project company by the Company, or upon CMCIM, who provides a guarantee to the Participants for the performance of the Company's obligations under the Agreements, ceasing to be investment manager of the Company. In the former case, the Participants shall receive a pro rata portion of the proceeds from disposal of the Company's interest in the project company. In the latter case, the Participants will receive a pro rata portion of the value of the equity interest in the project company held by the Company as of 90 days prior to the termination date of the Agreements. The value of the equity interest in the project company will be assessed by an independent valuer appointed jointly by the Company and CMCIM. In addition, the costs and expenses incurred for the

preparation and execution of the Agreements, the costs incidental to the implementation of the Scheme, and the relevant portion of the identifiable costs related to the Company's investment in the project company that corresponds to the amount provided by the Participants to the Company under the Agreements will be borne by CMCIM.

Under the Scheme, it was originally determined that the aggregate amount provided by the Participants in each of the Company's new investment projects should not exceed 2% of the Company's investment in each project (the "**Ceiling of Relative Proportion**"). In order to further strengthen the investment management process, with the consent of the Company and starting from 26 August 2011, the Ceiling of Relative Proportion for each of the Company's new investment projects is revised as follows: 1) for projects with an investment amount of RMB30 million or less, the Ceiling of Relative Proportion will be 5%; 2) for projects with an investment amount of more than RMB30 million and up to RMB100 million, the Ceiling of Relative Proportion will be RMB1.50 million or 2%, whichever is higher; and 3) for projects with an investment amount of more than RMB100 million, the Ceiling of Relative Proportion will be 2%.

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

<b>Name of projects</b>	<b>Original investment amount of the Company US\$*</b>	<b>Original amounts actually paid by the Participants US\$*</b>	<b>Relative proportion</b>
Wuhan Rixin	2,195,500	43,900	2.000%
China Media Management	676,100	4,500	0.666%
China Media Investment (1st installment capital contribution)	5,858,300	38,800	0.662%
Jinpower Electrical	3,033,500	60,300	1.988%
China Media Investment (2nd installment capital contribution)	953,500	6,100	0.638%
Hwagain	19,004,900	161,100	0.847%
China Media Investment (3rd installment capital contribution)	1,075,300	6,200	0.575%
China Media Investment (4th installment capital contribution)	4,566,600	26,300	0.577%
China Media Investment (5th installment capital contribution)	484,900	2,800	0.580%
China Media Investment (6th installment capital contribution)	5,555,100	32,200	0.579%
China Media Investment (7th installment capital contribution)	3,352,500	18,900	0.562%
China Media Investment (8th installment capital contribution)	2,055,100	11,500	0.559%
China Media Investment (9th installment capital contribution)	859,600	4,830	0.562%
Oriental Pearl	19,619,100	255,510	1.302%

Name of projects	Original investment amount of the Company US\$*	Original amounts actually paid by the Participants US\$*	Relative proportion
JIC Leasing	38,781,800	65,810	0.170%
Jinlanmei Travel	1,489,000	14,180	0.952%
iFLYTEK	18,827,500	33,500	0.178%
Iflytek Venture Capital (1st installment capital contribution)	5,193,900	9,270	0.178%
Iflytek Venture Capital (2nd installment capital contribution)	2,008,800	3,480	0.178%
Qinghai Lake Tourism (1st installment capital contribution)	7,502,800	9,590	0.128%
Qinghai Lake Tourism (2nd installment capital contribution)	22,927,700	28,800	0.126%
Iflytek Venture Capital (3rd installment capital contribution)	2,146,800	3,480	0.178%
The Jiangmen Ventures Fund	4,741,800	20,470	0.432%
Pony AI (1st round capital injection)	8,000,000	35,680	0.446%
Iflytek Venture Capital (4th installment capital contribution)	1,991,910	3,480	0.178%
Pony AI (2nd round capital injection)	607,270	10,200	1.680%
Arashi Vision	4,268,200	26,820	0.632%
Xunfei Healthcare (1st round capital injection)	8,600,700	48,790	0.567%
Iflytek Venture Capital (5th installment capital contribution)	646,170	1,160	0.178%
China UnionPay	31,116,080	51,610	0.166%
Iflytek Venture Capital (6th installment capital contribution)	1,286,760	2,320	0.178%
CASREV Fund III (1st installment capital contribution)	1,849,360	2,580	0.140%
CASREV Fund III (2nd installment capital contribution)	1,896,900	2,580	0.140%
Huiyou Xingyao Fund (1st installment capital contribution)	2,469,420	14,900	0.603%
Flexiv	5,000,000	95,450	1.909%
Huashun Xin'an (1st installment capital contribution for 1st round capital injection)	3,669,220	18,510	0.504%
Huashun Xin'an (2nd installment capital contribution for 1st round capital injection)	927,190	4,630	0.504%
Huiyou Xingyao Fund (2nd installment capital contribution)	1,187,000	7,030	0.603%
CASREV Fund III (3rd installment capital contribution)	1,931,490	2,580	0.140%
Xinyi	5,416,700	23,150	0.427%

Name of projects	Original investment amount of the Company US\$*	Original amounts actually paid by the Participants US\$*	Relative proportion
Xunfei Healthcare (2nd round capital injection)	7,804,570	19,250	0.247%
Azuri	4,724,560	24,370	0.516%
Huashun Xin'an (2nd round capital injection)	1,020,090	11,470	1.125%
CASREV Fund III (4th installment capital contribution)	1,816,810	2,580	0.140%
Immvisa	8,000,000	21,660	0.271%
Hanwei	7,016,070	30,780	0.439%
Moonshot AI	10,000,000	38,430	0.384%
CICC (Note 2)	2,187,510	15,390	0.704%

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

Note 1: The details of the projects are disclosed in the 2024 interim report of the Company.

Note 2: CICC refers to China International Capital Corporation Limited. The Group acquired certain H shares of CICC through the secondary stock market in September 2024.

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

Name of projects	Mr. ZHOU Xing (Note 1) US\$	Mr. ZHANG Rizhong (Note 2) US\$	Mr. WANG Xiaoding (Note 3) US\$	Mr. TSE Yue Kit (Note 4) US\$	Mr. YANG Baiqian (Note 5) US\$	Mr. KANG Dong (Note 6) US\$
Wuhan Rixin	4,390	N/A	3,510	1,290	N/A	N/A
China Media Management	300	N/A	1,160	30	N/A	N/A
China Media Investment (1st installment capital contribution)	2,510	N/A	10,040	250	N/A	N/A
Jinpower Electrical	6,030	N/A	6,030	1,280	N/A	N/A
China Media Investment (2nd installment capital contribution)	390	N/A	1,570	40	N/A	N/A
Hwagain	19,330	N/A	12,880	1,290	N/A	N/A
China Media Investment (3rd installment capital contribution)	430	N/A	1,710	40	N/A	N/A
China Media Investment (4th installment capital contribution)	1,820	N/A	7,260	180	N/A	N/A
China Media Investment (5th installment capital contribution)	190	N/A	780	20	N/A	N/A

# APPENDIX

# GENERAL INFORMATION

Name of projects	Mr. ZHOU Xing (Note 1) US\$	Mr. ZHANG Rizhong (Note 2) US\$	Mr. WANG Xiaoding (Note 3) US\$	Mr. TSE Yue Kit (Note 4) US\$	Mr. YANG Baiqian (Note 5) US\$	Mr. KANG Dong (Note 6) US\$
China Media Investment (6th installment capital contribution)	2,220	N/A	8,880	220	N/A	N/A
China Media Investment (7th installment capital contribution)	1,300	N/A	5,200	130	N/A	N/A
China Media Investment (8th installment capital contribution)	790	N/A	3,170	80	N/A	N/A
China Media Investment (9th installment capital contribution)	330	N/A	1,330	30	N/A	N/A
Oriental Pearl	30,650	N/A	38,870	1,390	N/A	N/A
JIC Leasing	12,900	N/A	12,900	1,290	N/A	N/A
Jinlanmei Travel	N/A	N/A	3,220	640	N/A	N/A
iFLYTEK	N/A	N/A	12,890	1,290	N/A	N/A
Iflytek Venture Capital (1st installment capital contribution)	N/A	N/A	6,440	1,290	N/A	N/A
Iflytek Venture Capital (2nd installment capital contribution)	N/A	N/A	970	190	N/A	N/A
Qinghai Lake Tourism (1st installment capital contribution)	N/A	640	3,200	320	N/A	N/A
Qinghai Lake Tourism (2nd installment capital contribution)	N/A	1,920	9,600	960	N/A	N/A
Iflytek Venture Capital (3rd installment capital contribution)	N/A	N/A	970	190	N/A	N/A
The Jiangmen Ventures Fund	N/A	1,280	3,840	1,280	N/A	N/A
Pony AI (1st round capital injection)	N/A	1,270	6,370	1,270	N/A	N/A
Iflytek Venture Capital (4th installment capital contribution)	N/A	N/A	970	190	N/A	N/A
Pony AI (2nd round capital injection)	N/A	1,280	1,280	1,280	N/A	N/A
Arashi Vision	N/A	1,280	3,830	1,280	N/A	N/A
Xunfei Healthcare (1st round capital injection)	N/A	6,420	19,260	1,280	N/A	N/A

# APPENDIX

# GENERAL INFORMATION

Name of projects	Mr. ZHOU Xing (Note 1) US\$	Mr. ZHANG Rizhong (Note 2) US\$	Mr. WANG Xiaoding (Note 3) US\$	Mr. TSE Yue Kit (Note 4) US\$	Mr. YANG Baiqian (Note 5) US\$	Mr. KANG Dong (Note 6) US\$
Iflytek Venture Capital (5th installment capital contribution)	N/A	N/A	320	60	N/A	N/A
China UnionPay	N/A	3,870	12,900	1,290	N/A	N/A
Iflytek Venture Capital (6th installment capital contribution)	N/A	N/A	640	130	N/A	N/A
CASREV Fund III (1st installment capital contribution)	N/A	320	320	320	N/A	N/A
CASREV Fund III (2nd installment capital contribution)	N/A	320	320	320	N/A	N/A
Huiyou Xingyao Fund (1st installment capital contribution)	N/A	1,750	880	880	N/A	N/A
Flexiv	N/A	1,290	20,640	1,290	N/A	N/A
Huashun Xin'an (1st installment capital contribution for 1st round capital injection)	N/A	1,030	1,030	1,030	N/A	N/A
Huashun Xin'an (2nd installment capital contribution for 1st round capital injection)	N/A	260	260	260	N/A	N/A
Huiyou Xingyao Fund (2nd installment capital contribution)	N/A	830	410	410	N/A	N/A
CASREV Fund III (3rd installment capital contribution)	N/A	320	320	320	N/A	N/A
Xinyi	N/A	6,430	1,290	1,290	N/A	N/A
Xunfei Healthcare (2nd round capital injection)	N/A	N/A	1,280	N/A	3,850	1,280
Azuri	N/A	N/A	1,280	N/A	3,850	1,280
Huashun Xin'an (2nd round capital injection)	N/A	N/A	1,270	N/A	3,820	1,270
CASREV Fund III (4th installment capital contribution)	N/A	320	320	320	N/A	N/A
Immvira	N/A	N/A	1,270	N/A	3,820	1,270
Hanwei	N/A	N/A	1,280	N/A	1,280	1,280
Moonshot AI	N/A	N/A	1,280	N/A	2,560	1,280
CICC	N/A	N/A	1,280	N/A	2,560	1,280

Note 1: The Chairman of the Company

Note 2: Director of the Company

*Note 3: Director of the Company and Director & General Manager of CMCIM*

*Note 4: Director of the Company and Director of CMCIM*

*Note 5: Director and Chairman of CMCIM*

*Note 6: Director of CMCIM*

As at the Latest Practicable Date, save as disclosed, none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2023, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to any member of the Group.

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

## **8. EXPERT**

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

<b>Name</b>	<b>Qualifications</b>
Red Sun Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the transaction contemplated under the New Management Agreement and the proposed annual caps

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

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

As at the Latest Practicable Date, the Independent Financial Adviser did not have any direct or indirect interest in any assets which have been, since 31 December 2023 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

**9. GENERAL**

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

**10. DOCUMENT ON DISPLAY**

A copy of the New Management Agreement will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.cmcdi.com.hk](http://www.cmcdi.com.hk)) from the date of this circular up to and including 29 November 2024, being the date of the EGM No.1





**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 no.1 of China Merchants China Direct Investments Limited (the “**Company**”) will be held as a hybrid meeting with principal meeting place at Tianshan Room, Level 5, Island Shangri-La, Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong and online access through an online platform on Friday, 29 November 2024 at 10:00 a.m., to consider, and, if thought fit, pass the following resolution (with or without modifications) as an ordinary resolution of the Company:

**ORDINARY RESOLUTION**

**“THAT:**

- (a) the New Management Agreement as defined and described in the circular of the Company dated 8 November 2024 of which this resolution forms part (the “**Circular**”) (a copy of each of the New Management Agreement and the Circular having been produced at the meeting and marked “A” and “B” respectively and each initialed by the chairman of the meeting for the purpose of identification) and the transaction contemplated thereunder be and is hereby approved, ratified and confirmed;
- (b) the proposed annual caps, as described in the Circular, for the fees payable under the New Management Agreement be and are hereby approved; and
- (c) that the directors of the Company be and are hereby authorised for and on behalf of the Company to execute all such documents and agreements and do such acts or things as they may in their discretion consider to be necessary, desirable or expedient to implement and/or give effect to the terms of the New Management Agreement.”

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

Hong Kong, 8 November 2024

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## NOTICE OF THE EXTRAORDINARY GENERAL MEETING NO.1

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*Notes:*

- (1) The Extraordinary General Meeting No.1 will be held as a hybrid meeting and will be conducted in Mandarin. Shareholders participating in the Extraordinary General Meeting No.1 electronically will also be counted towards the quorum and they will be able to cast their votes and submit questions through the Online Platform. Details of the Online Platform are set out in the circular to the Shareholders dated 8 November 2024.
- (2) A member entitled to attend, speak and vote at the meeting is entitled to appoint more than one proxy to attend, speak and vote instead of him. A proxy needs not be a member of the Company.
- (3) 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 Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, 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.
- (4) As at the date hereof, the executive Directors are Mr. WANG Xiaoding, and Ms. KAN Ka Yee, Elizabeth; the non-executive Directors are Mr. ZHOU Xing, Mr. ZHANG Rizhong, Mr. KE Shifeng and Mr. TSE Yue Kit; and the independent non-executive Directors are Mr. TSANG Wah Kwong, Dr. LI Fang, Dr. GONG Shaolin, Mr. Michael Charles VITERI and Mr. ZHU Qi.