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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 under the Companies Ordinance)

NOTIFICATION OF AMENDMENT IN INVESTMENT POLICY

Pursuant to the Prospectus of the Company dated 15 July 1993, the shareholders of the Company will be notified of any material amendment in the investment policy of the Company.

28 December 2000

LETTER FROM THE BOARD



CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED

招商局中國基金有限公司

(Incorporated in Hong Kong under the Companies Ordinance)

Executive Directors:

FU Yuning (*Chairman*)

HUANG Dazhan

ZHANG Yun Kun

CHU Lap Lik, Victor

TSE Yue Kit

KAN Ka Yee, Elizabeth

(Alternate to CHU Lap Lik, Victor)

Registered Office:

1803, China Merchants Tower,

Shun Tak Centre,

168-200 Connaught Road Central,

Hong Kong

Non-executive Directors:

The Hon. LI Kwok Po, David

KUT Ying Hay

POON Kwok Lim, Steven

CUI Guisheng

HOW Peck Huat

LO Jiansheng

LI Kai Cheong, Samson

(Alternate to The Hon. LI Kwok Po, David)

28 December 2000

To the Shareholders

Dear Sir/Madam,

NOTIFICATION OF AMENDMENT IN INVESTMENT POLICY

1. According to Page 14 of the Prospectus of the Company dated 15 July 1993:—
 - 1.1. The Directors are responsible for the formation of the Company's investment policy and any subsequent amendments to this policy in the light of political and/or economic conditions.

LETTER FROM THE BOARD

1.2. The relevant investment policy as set out in the Prospectus was as follows:–

“The Company may also invest not more than 10 percent of its Net Asset Value in China-concept shares, “H” shares and “B” shares.”

2. There were two (2) restrictions contained in the policy referred by Paragraph 1.2 above. The first restriction is that the investment under this policy was restricted to 10 per cent (10%) of the Net Asset Value. Such restriction is called the “10% Limit” in this letter.
3. The Directors of the Company, in a board meeting held on 25 September 2000, allocated a distinct sum of US\$10Million (equivalent to HK\$78,000,000.00, which amounts to about 8.2% of Net Asset Value of the Company as at 30 June 2000) for investment in hi-tech projects, including IPOs (initial public offerings) and/or pre-listing placements of shares in hi-tech companies (“Hi-Tech Investments”).
4. The reason for this amendment in investment policy is obvious. Market sentiment and investment environment has amended dramatically since the Asian economic crises. Information technology has become the dominant sector in the new economy, and has become popular investment targets. To catch up with this new trend in an attempt to share the fruitful result of the new economy, the Company should consider investments in the hi-tech field. Such investments necessarily carry risks, as evidenced by the recent pull-back in tech-share prices worldwide. Hence, the directors will be taking a relatively cautious approach concentrating on companies with earnings growth prospect and listing potential.
5. The Hi-Tech Investments may result in investment in listed shares exceeding the 10% Limit by a maximum sum of US\$10Million (equivalent to HK\$78,000,000.00) if all Hi-Tech Investments shall be, or eventually become, listed shares. Hence, an amendment in the Company’s investment policy is required.
6. It is therefore appropriate that the investment policy of the Company be amended to increase the 10% Limit by US\$10Million (equivalent to HK\$78,000,000.00). The new limit will therefore be 10% of the Net Asset Value of the Company plus US\$10Million (equivalent to HK\$78,000,000.00).
7. The second restriction referred to in Paragraph 2 of this letter is the reference to “China-concept shares”. The relevance here is that, after the return of the sovereignty of the Hong Kong Special Administrative Region to the People’s Republic of China in 1997, many listed companies in the Hong Kong Special Administrative Region increased their investments in the People’s Republic of China. It is therefore thought appropriate to extend the categories of shares which the Company may invest in to include such shares listed in the Hong Kong Special Administrative Region.

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8. The last paragraph of Page 14 of the Prospectus also provides that the investment policy may be amended from time to time by the Directors if and as they shall deem it to be in the best interest of the Company to do so, and that shareholders will be notified of any material amendments.
9. The Memorandum and Articles of Association of the Company does not contain any investment policy or restrictions on the investment policy of the Company.
- 9.1. At a board meeting held on 25 September 2000, the directors discussed the existing investment policy of the Company and considered amendments. As a result, the board of directors resolved at such board meeting to amend the "Investment Objectives and Policy" as contained in P.14 of the Prospectus be amended by replacing the following paragraph:
- "The Company may also invest not more than 10 percent of its Net Asset Value in China-concept shares, "H" shares and "B" shares"
- with the following new paragraph:
- "The Company may also invest not more than US\$10Million in hi-tech projects, including initial public offerings and/or pre-listing placements; and not more than 10 percent of its Net Asset Value in:-
- (a) China-concept shares,
 - (b) "H" shares,
 - (c) "B" shares, and
 - (d) any shares listed in the Hong Kong Special Administrative Region provided that the main business or income of the companies in question are derived from the People's Republic of China including the Hong Kong Special Administrative Region."
- 9.2. It was intended that the amendments as mentioned in this letter will take effect upon the making of formal announcement and notification to shareholders.
10. The Directors consider that such amendments are in the best interest of the Company.
11. This letter therefore constitutes notice to the shareholders of the Company of such amendment in the investment policy of the Company as explained above.

Yours truly,
Zhang Yun Kun
Executive Director