
SUMMARY

The following information is derived from, and should be read in conjunction with, the full text of this prospectus.

The Company : China Merchants China Direct Investments Limited (招商局中國基金有限公司) is a closed-ended investment company incorporated in Hong Kong with limited liability under the Companies Ordinance on 13th April, 1993.

Investment Objectives and Policy : The Company is proposing to acquire investments in China principally in unlisted Chinese companies or enterprises. The Company may also invest not more than 10 percent of its Net Asset Value in China-concept shares, “H” Shares and “B” Shares.

The focus of the Company’s investment activities will include industrial and manufacturing projects, transportation and other related infrastructure projects, service industries including tourism and financial services as well as real estate projects.

The Company will not invest more than 20 percent of its Net Asset Value in any one investment.

Investment Management : The Company’s investment portfolio will be managed by China Merchants China Investment Management Limited.

The Directors are responsible for formulating the Company’s investment strategy and guidelines. An Investment Committee consisting of 7 members is authorised by the Board to approve transactions (investments or realisations) of over US\$5 million each and to supervise the day to day management functions of the Investment Manager. The Investment Manager is responsible for identifying and evaluating all investment opportunities, executing investment decisions, monitoring and enhancing investments of the Company and, subject to the limitation referred to above, making decisions on investments and realisations for the Company. The Investment Manager is also responsible for managing the corporate affairs of the Company.

The Investment Manager is 55 percent owned by China Merchants Holdings (Hong Kong) Company Limited, a member of the China Merchants Group (“CMG”). CMG is the oldest state-owned enterprise in China with a history of 120 years. CMG is directly under the leadership of the Ministry of Communications of China and enjoys an excellent reputation in developing industrial zones and infrastructure projects in China.

China Merchants Holdings (Hong Kong) Company Limited will subscribe for 10 million Shares at an aggregate subscription price of US\$10.5 million and will treat its investment in the Company as long term. Further details about the investment are contained in the section headed “Core Investors” on pages 25 to 27.

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- The Placing** : Up to 49,000,000 Shares (with Warrants) are being conditionally placed by the Placing Managers on behalf of the Company to institutional investors at a price of US\$1.05 per Placing Share (inclusive of the fees, commissions and expenses of the Placing Managers). The Placing is conditional upon the conditions set out in the section headed "Conditions of the Placing" on page 31.
- Core Investors** : The Company has also entered into conditional subscription agreements for the subscription by the Core Investors of an aggregate of 51,000,000 Shares (with Warrants) at a price of US\$1.05 per Share. The subscription of Shares (with Warrants) by the Core Investors is conditional upon the same conditions as are set out in the section headed "Conditions of the Placing" on page 31.
- Warrants** : Warrants will be issued to the holders of Shares in the proportion of one Warrant for every five Shares in issue following the Placing. Assuming that the Placing is fully subscribed and that the Placing and issue of Shares to Core Investors is completed, Warrants conferring rights to subscribe up to US\$20,000,000 in aggregate for Shares will be in issue, equivalent to the aggregate subscription price for a total of 20,000,000 Shares on the basis of an initial subscription price of US\$1.00 per Share (subject to adjustment).
- Minimum Amount** : Each investor must subscribe for a minimum of 100,000 Placing Shares (together with 20,000 Warrants) at an aggregate subscription price of US\$105,000.
- Distribution Policy** : Surpluses arising from the realisation of unlisted investments will generally not be available for distribution and will instead be reinvested. All income received by the Company after deducting expenses and provisions for the diminution in value of investments, if any, will to the extent permitted by law normally be paid out as a dividend. A portion of the distributable income may, however, at the discretion of the Board, be retained for future investment.
- Custodians** : The Custodians will hold the Company's securities and uninvested cash on behalf of the Company.
- Management Fees** : The Investment Manager shall be entitled to an annual management fee, payable quarterly in arrears, equal to the aggregate of:
- 2.25 percent of the value of the invested portion of the Company's assets; and
 - 0.75 percent of the uninvested portion of the Company's assets.

The Company will also pay to the Investment Manager an annual performance fee equivalent to 15 percent of the amount by which the Net Asset Value of the Company at

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the end of each accounting period exceeds 115 percent of the Net Asset Value of the Company for the immediately preceding accounting period. Further details of these fees are set out on page 24.

- Listing and Dealing** : Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares, the Warrants and any Shares to be issued upon exercise of the subscription rights attached to the Warrants. Dealings in the Shares and Warrants are expected to commence on 22nd July, 1993 and in board lots of 10,000 Shares. The board lot for Warrants will be Warrants carrying rights to subscribe US\$10,000 for Shares, representing the aggregate subscription price for 10,000 Shares, on the basis of an initial subscription price of US\$1.00 per Share.
- Denomination** : The price of the Shares and Warrants will be quoted in Hong Kong dollars on the Stock Exchange.
- Risk Factors and Potential Conflicts of Interest** : **Prospective investors should note the special risks associated with investing in the Company described on pages 3 to 5 and certain potential conflicts of interest described on page 32.**

Investment in China carries a high degree of risk. Accordingly, the Company is only suitable for investment by sophisticated investors who are aware of the risks and who have the ability and willingness to accept the anticipated lack of liquidity in the underlying investments of the Company and the risk of substantial loss of capital resulting from investment in China. The attention of potential investors is particularly drawn to the section headed "Risk Factors" on pages 3 to 5.